

# PEOPLE

**Jerry Lewis Is Honored By French Arts Minis**

Jerry Lewis, 58, whose French public and serious French critics, was named France's highest cultural honor in a ceremony at the Ministry of Culture in Paris.

The son of the oceanographer Constantine says that the States wants to save the Mississippi River, it is to follow the example of the laws to clean up the river. The river is in bad shape, but enough not to be a disaster, said Jean-Michel Constantine on Sunday for the Equipment Manufacturer's union trade show. The Constantine family has finished work on the Mississippi last fall, will be ready for screening in the month.

The Beach Boys drummer, Wilson had a blood alcohol of 0.26 percent, more than the California's limit of 0.10 percent, del Rey, toxicologist showed. Bill Gold, Los Angeles County coroner's spokesman, released the results, refused whether the alcohol contributed to Wilson's death. But a physician who worked with the 27-year-old musician in an addiction program said the addiction was inescapable. "It was all unfair to say the alcohol contributed to the accident," said Joe Takamine. Wilson's program after two days, drowned three days later.

Yoko Ono said she has come to terms with the death of her husband, John. "I thought I would be the person to be like this, meaning, three years still feeling involved, still feeling that I cover the whole experience," said in a BBC Radio interview. The program, taped last week in Tokyo apartment, interviewed with her 5-year-old son and the first tracks from a new album, "Yoko." It contains a previously unreleased song, "Loving," recorded shortly before his death of her own recording.

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WEATHER DATA APPEAR ON PAGE 12

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## Beirut Kidnappers Seize Saudi Consul

**Diplomat's Disappearance Coincides With Riyadh's Mediation in Lebanon**

**BEIRUT**—Gunmen kidnapped the Saudi consul in Beirut on Tuesday as the city enjoyed a respite from the heavy shelling that killed at least 22 people and wounded about 65 others on Monday.

Six men in two cars forced the consul's driver to stop in the West Beirut district of Rascheh, and shot and wounded his bodyguard, security sources said. The kidnappers then dragged the diplomat, Hussein Farrash, out of his car and took him to an unknown destination.

No one claimed responsibility for the abduction and the security forces said they had no immediate clues on which to work.

They said they had not yet ruled out personal motives for the kidnapping, which coincided with an active Saudi mediation between Lebanon's warring factions.

Saudi targets in Lebanon were last attacked in 1981, when gunmen fired automatic weapons and rocket-propelled grenades at the embassy. Security sources linked that attack with the Gulf war between Iran and Iraq.

Schools remained closed in Beirut for fear that artillery duels between the Lebanese Army and Druze Moslem militias would continue.

But the fronts around Beirut were quiet, with the only fighting reported in the largely depopulated Kharoub region on the Mediterranean coast, 25 kilometers (16 miles) south of the capital.

At the presidential palace in the suburb of Baabda in the hills overlooking Beirut, Western ambassadors met to hear Wadih Haddad, President Amin Gemayel's security adviser, outline the obstacles to the government's stalled security plan.

The ambassadors were from the United States, France, Italy and Britain, the four contributors to the multinational force which is stationed in Beirut to help Mr. Gemayel extend his authority.

The security plan, which would separate the country's warring factions and allow the Lebanese Army to expand its area, came close to final approval by all parties last week but hitches emerged at the last minute.

Rightist Christians have accused Syria and its Druze allies of wrecking the plan, while the opposition National Salvation Front blamed the army, the rightist Lebanese Forces and the U.S. contingent to the multinational force.

On Monday, the front announced a boycott of a security committee set up to prevent ceasefire violations and Beirut newspapers predicted that the fighting would continue.

The independent daily newspaper *Al-Nahar* said in a commentary that a new, fierce outbreak of fighting would be natural if political obstacles to a settlement led to a deadlock.

The main obstacle between the factions is the Lebanese-Israeli troop withdrawal agreement, which Syria and its Lebanese allies want to see discarded.

Prime Minister Shafiq al-Wazzan said in an interview published Monday that Lebanon would never



ARAFAT AT ISLAMIC SUMMIT — Yasser Arafat, chairman of the Palestine Liberation Organization, flashes a "V" sign at the conference of Islamic nations at the royal palace in Casablanca, Morocco. Page 2.

## Conventional Arms for NATO: Who Will Pay?

By Joseph Fitchett  
*International Herald Tribune*

**BRUSSELS**—As the North Atlantic Treaty Organization studies new, sophisticated conventional arms to lessen its reliance on nuclear deterrence, Western strategists and politicians, industry and governments are embroiled in an increasingly sharp trans-Atlantic debate about who will build the new weapons and who will pay for them.

Closer cooperation, or fiercer competition, in fielding the next generation of NATO weapons—especially high-technology missiles designed to replace expensive manpower—will influence both the Western economic recovery and the outlook for joint defense in the United States, Western Europe and even Japan.

West Germany, wheelhorse of both European prosperity and NATO defense, is especially affected. Economically troubled, the

office argue that technology-sharing with the allies could jeopardize defense secrets and undercut U.S. industry.

The need to build up credible nonnuclear defenses in Europe is "an imperative" for the Western alliance now that the furor over new missiles in Europe has subsided, David M. Abshire, the U.S. ambassador to NATO, said at a conference in Brussels last week. The gathering of Western defense strategists was sponsored by

the Georgetown University Institute of Strategic and International Studies.

Arguing that new conventional weapons can signal that the West does not depend on resorting quickly to atomic war to defend itself, Mr. Abshire said this strategy would reassure Western public opinion. The posture also dispels any Soviet misapprehensions that NATO might be poorly defended because Western governments might hesitate to make "first

use" of nuclear weapons against a Soviet thrust.

This new strategy involves a modern generation of "smart" conventional weapons, accurate enough to dispense with nuclear firepower. Equipped with miniaturized sensors, communications and computers to pinpoint distant moving targets, they can break up a Soviet assault by decimating tank formations, cratering airfields and

(Continued on Page 2, Col. 3)

## Reagan and Soviet: The Tone Shifts

By Michael Geder  
*Washington Post Service*

**WASHINGTON**—Has President Ronald Reagan really changed his approach to dealing with the Soviet Union?

On his speech Monday on relations with Moscow—in sharp contrast to his previous portrayal of the "evil empire"—a temporary, election-year detour from his visceral, longstanding combativeness toward Moscow?

Those are the questions that Soviet leaders, U.S. allies and Americans must ponder as they seek to absorb a rather remarkable and quick shift in the tone of Mr. Reagan's public statements.

One White House aide said the shift was "real and very significant. Something has happened to the man." Another said the president hoped that his latest speech "will remove any ambiguity, if it exists, about his personal commitment to the resolution of problems with the Soviet Union."

But some other senior officials are not convinced. While praising Mr. Reagan for choosing a statesmanlike and pragmatic, rather than ideological, approach to dealing with Moscow, they say that the anti-Soviet instincts of the president and some of his closest advisers lie so close to the surface that they may easily and quickly re-emerge.

"It's sort of like a clothes dryer," one official said. "Everything is tumbling around, then lying quiet, and then someone puts a quarter in the machine and everything tumbles again."

In this view, the Reagan administration has "never really sorted out its soul" between the pragmatists and ideologues on dealing with Moscow and "its ultimate attitude remains unresolved."

Mr. Reagan's more conciliatory tone did not imply that he has totally softened his feelings toward the Soviet Union. Using diplomatic language, he strongly criticized Moscow for its human rights record, its military involvement in Syria, its presence in Afghanistan

United States held clear missile superiority.

Some U.S. experts on the Soviet Union, however, say they believe just the opposite: that the years of unrelentingly harsh rhetoric and other actions have finally persuaded the Russians that Mr. Reagan is implacably hostile and that they must base their decisions on that assessment.

Similarly, whether or not Mr. Reagan is sincere, the timing of his turn-around is apt to be seen in Moscow as a temporary, election-year ploy and thus no basis to press for improved relations.

Although officials said Mr. Reagan's speech was targeted primarily at the Kremlin, it was also clearly aimed at trying to ease nuclear jitters and war fear in segments of the population at home and abroad.

Mr. Reagan and his aides say there is no basis for such fear because the U.S. military buildup has lessened rather than increased the prospect of confrontation. They say this fear is being spread by Moscow to paint the U.S. president as a warmonger and stir dissension in the Western alliance.

### NEWS ANALYSIS

and for taking advantage of arms-control agreements.

Yet it was a far cry from his first presidential press conference in January 1981, when he said the Russians "reserve unto themselves the right to commit any crime, to lie, to cheat," and from a March 1983 speech in Florida, in which he called the Kremlin "the focus of all evil" and the "evil empire."

Moscow has done many things, such as the 1979 move into Afghanistan, the 1981 crackdown in Poland and the shooting down of a South Korean jetliner with 269 people aboard last September, to provoke stern denunciations across the U.S. political spectrum.

But the presidential strategy now is to tone down the rhetoric, keep up high military spending to show that the United States is not to be tampered with and coax Moscow into "a discourse to relieve tensions and solve problems. That will be his foremost priority this year and the years ahead," one top White House adviser said.

The White House seems persuaded that Soviet leaders are in a period of "deep introspection" about how to deal with Washington.

Officials said, for example, that if Moscow does not return to arms-control talks to limit the buildup of U.S. nuclear forces, it may find itself in the situation it faced in the 1960s and early 1970s, when the

But public opinion polls indicate that the apprehensions are real and that Mr. Reagan's earlier rhetoric and actions have been a factor.

In effect, the president has gambled with public opinion until now. He has pushed through the first three years of a \$1.7-trillion five-year military buildup and has shown a clear willingness to use military force, sometimes against the advice of his military chiefs.

With the foundations of the military buildup in place and the image of military unpredictability established, Mr. Reagan appears ready to turn things around and devote himself to coming to terms with Moscow on a basis more to his liking.

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch televi-

## Shultz Presses For 'Pragmatic' Arms Progress

By Bernard Gwertzman  
*New York Times Service*

**STOCKHOLM**—Secretary of State George P. Shultz said Tuesday that the United States firmly believed that "pragmatic progress" could be achieved on arms control and other East-West issues. He called upon the Soviet Union to join in a new, comprehensive dialogue.

His speech at the opening round of the East-West security and disarmament conference was consistent with President Ronald Reagan's call on Monday for a more constructive Soviet-American relationship.

The only new detail offered by Mr. Shultz was an announcement that at the Conference on Disarmament, a 40-nation meeting in Geneva, the United States will soon offer a draft treaty for "the complete and verifiable elimination of chemical weapons on a global basis."

Work has been proceeding at that Geneva conference on banning all chemical weapons, and Mr. Shultz acknowledged at a subsequent press conference that verification could be a difficult area.

On the other arms control issues that have drawn considerable attention recently, Mr. Shultz said that Moscow had "interrupted" three of the major negotiations either by halting them altogether, as in the talks on intermediate-range missiles, or by refusing to set a date for their resumption, as in the Strategic Arms Limitation Talks and the negotiations on reducing conventional forces.

But Mr. Shultz said that as far as the United States was concerned, the door remained open. "We are ready for negotiation whenever the Soviet Union is prepared," he said. He offered no concessions to get the Russians back to the table but said Washington would work "for early progress" once the negotiations resumed.

Arms control initiatives are a part of "a broader American effort to build a more stable, consistent and constructive East-West relationship," he said, "a relationship not marked by the abrupt shifts, exaggerated expectations and dashed hopes of the last decade."

"Let us therefore embark here and now upon this renewed, open and comprehensive East-West political dialogue," Mr. Shultz said. "Let us so conduct ourselves in our deliberations that historians of the future will mark this gathering as a

### Russia Mans Bases In East Germany

**MOSCOW**—Soviet soldiers are already manning new nuclear missile bases in East Germany, Tass reported Tuesday.

The Soviet news agency published a preview of a report from a correspondent of the army newspaper *Krasnaya Zvezda*, or Red Star, who is serving with a Soviet Army unit on one of the new bases.

The report quoted a sergeant on the base as saying: "We have to be ready to deal an appropriate rebuff to the aggressor if he dares to encroach on the security of the Soviet people, our allies and friends. For this we have been entrusted with a truly terrible, powerful weapon."

turning point in East-West relations.

Mr. Shultz balanced his conciliatory remarks with considerable criticism of the Soviet Union for creating security and human rights problems, by erecting what he called "an artificial barrier" that had "crudely divided this great continent—and indeed heartlessly divided one of its great nations," a reference to Germany.

In his later press conference, Mr. Shultz said he did not mean to imply that the United States was reneging on its diplomatic ties with East Germany or was casting doubt on the sovereignty of other Soviet bloc nations. But he did say in the speech that the United States "does not recognize the legitimacy of the artificially imposed division of Europe," which, he said, has prevented the free movement of people and ideas in Europe.

The conference itself is called the Conference on Confidence- and Security-Building Measures and Disarmament in Europe. Under its mandate from the preceding Madrid conference, which was a follow-up to the Helsinki accords of 1975, ways are supposed to be worked out to reduce the risks of surprise attack in Europe.

Mr. Shultz and the French external relations minister, Claude Cheysson, who also spoke, outlined the six-point approach of the Atlantic alliance that was made known in Washington last week. It

(Continued on Page 2, Col. 7)

## Home Taping From TV Approved by U.S. Court

United Press International

**WASHINGTON**—The U.S. Supreme Court, in a precedent-setting decision, ruled 5-4 Monday that Americans are free to use their home video recorders to videotape television programs.

In a major victory for the \$3 billion-a-year home video recorder industry, the justices overturned a hotly contested ruling that even private, in-home taping of TV programs violated television copyright and that makers of the recording devices were responsible for the illegal copyright infringement.

"One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch televi-

sion every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat prohibition against the sale of machines that make such copying possible," Justice John Paul Stevens wrote for the majority.

Justice Stevens wrote that the sale of Sony's video cassette recorder is "capable of substantial noninfringing uses. Sony's sale of such equipment to the general public does not constitute contributory infringement of respondent's copyrights."

The case was brought by Universal Studios Inc. and Walt Disney Productions against the Sony Corp. of Japan, the maker of the Betamax video cassette recorder. Also named as defendants in the suit were one user of the Sony Betamax recorder and one retail outlet that sold Betamax devices.

The court's decision spares the electronics industry from the threat of millions of dollars in fines or royalties or even a court injunction halting sales of home videotape recorders.

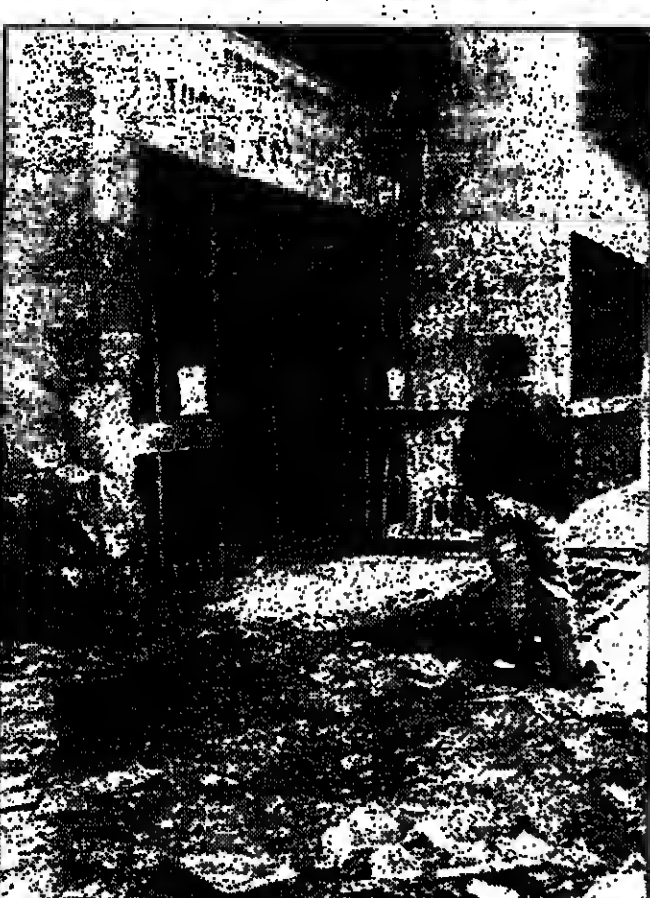
It also frees five million owners of home videotape recorders to record programs and movies from television.

Lobbyists for the film industry are expected to press Congress to rewrite copyright laws and provide for new royalties to compensate TV producers and performers.

One pending bill would explicitly allow people freely to tape programs at home. Another bill, supported by the film industry, would force makers of videotape recorders to pay a royalty free to producers and performers.

A central point in Monday's decision on copyright law was that copying in the home for personal use is a "fair use" exempt from the copyright laws.

Dissenters, led by Justice Harry Blackmun, said: "It may be tempting, as, in my view, the court today is tempted, to stretch the doctrine of fair use as to permit unfettered use of this technology in order to increase access to television. But such an extension erodes the very basis of copyright law by depriving authors of control over their works and consequently of their incentive to create."



A man inspects damage in East Beirut caused by shells fired Monday by Syrian-backed Druze Moslem militia.

## Israeli Civil Servants Strike For Inflation Compensation

United Press International

**TEL AVIV**—Striking Israeli civil servants interrupted government services for three hours Tuesday, demanding that the administration of Prime Minister Yitzhak Shamir compensate them for the nation's record 190-percent inflation.

Also on Tuesday, a steep increase was ordered in Israeli postal and telephone charges.

On Monday, the Bank of Israel announced tough new restrictions on foreign investments and foreign-currency purchases by Israelis.

Rouven Ben-Ami, secretary-general of the civil service union, said Tuesday that 60,000 government employees had stayed off the job from 8 A.M. to 11 A.M. after wage negotiations with the Treasury broke down.

Mail went undelivered for the third consecutive day in a separate, all-out strike for higher pay by 4,500 postal employees. Railroad workers have kept trains idle since Sunday.

Mr. Ben-Ami said there were no plans to renew compensation talks with the government and denied an Israel Radio report that civil servants would begin a total strike Wednesday.

Treasury officials quoted by Israel Radio said the country's high inflation had eroded civil servants' wages by 20 percent over the last three months, after partial cost-of-living adjustments were made.

Meanwhile, a parliamentary committee raised telephone and postal charges by 25 percent to 50 percent.

The foreign currency and investment restrictions announced Monday barred Israelis from holding bank accounts outside the country, purchasing more than the equivalent of \$2,000 for travel abroad, or buying foreign stocks and bonds, gold and gold certificates.

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■ South African blacks are resisting removal to homelands, but the success of rights groups is ambiguous. Page 5.

■ A Bundesstag inquiry into the dismissal of a West German general may be demanded by the Social Democrats. Page 5.

**BUSINESS/FINANCE**

■ Citicorp reported its fourth quarter net income rose by 4.1 percent. Page 7.

■ Westdeutsche Landesbank said two management board members resigned, apparently to take the blame for heavy loan-loss provisions. Page 7.

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# Carrington Foresees Role as Reconciler of NATO

By R.W. Apple Jr.  
New York Times Service

LONDON — Lord Carrington, the former British foreign secretary, who is to take over as secretary-general of the North Atlantic Treaty Organization this year, uses understatement, humor and language to mask an underlying seriousness, commitment and determination.

One of his favorite remarks is that things are never as bad as people say they are. It sprang to his lips again in a recent interview. But he left little doubt that he believes that things are bad enough both within NATO and between NATO and the Warsaw Pact to give him plenty of work when he succeeds Joseph Luns in Brussels in July.

"This is a fairly important moment in the history of the alliance," he said at the office he has occupied for the last year as chairman of British General Electric Co. "There are misunderstandings between the United States and Europe and within Europe. There is a climate of opinion on both sides of the Atlantic that must be persuaded all over again that NATO makes sense."

Perhaps even more important, he added, "there is a mutual distrust between East and West that has caused relations to deteriorate alarmingly, and NATO has to try to remedy that situation."

"I'm glad to be getting back to public life," he said. "I've been a public servant all my life, when the election had the good sense to elect a Tory government."

Since his resignation as foreign secretary after the Argentine invasion of the Falkland Islands in April 1982, Lord Carrington has made few public statements, but he has continued to meet frequently with Prime Minister Margaret Thatcher, whose country residence is near his. Yet in his most significant speech, delivered in April 1983, he implicitly criticized not only the prime minister but also President Ronald Reagan.

"The notion that we should face the Russians down in a silent war, broken only by bursts of megaphone diplomacy, is based on a misconception of our own values, of Soviet behavior and of the anxieties of our own people," he said at that time.

And he said it seemed to him

"extraordinary, and against the dictates of common sense and of the evidence of our own eyes, for anyone to claim that the West, in military terms, is in any danger of sinking to its knees."

Despite those comments, the 64-year-old aristocrat had the support of both the British and American governments for the NATO job, according to diplomatic sources.

Lord Carrington's resignation on a matter of principle — his conviction that he must pay personally for the "humiliation" of the Argentine seizure of the Falklands — won him many admirers in Britain and abroad.

He said last week he was "not going to begin by criticizing the policies of member states of NATO." But he made it clear he still disliked belittling statements by leaders in either the East or the West, and he promised he would work as hard on disarmament as he would on any subject.

The most important development in recent weeks, Lord Carrington said, was the prospect of serious East-West conversations about renewing arms talks at the

disarmament conference that began Tuesday in Stockholm.

He said he hoped to be able, as a man who knew both Europe and the United States fairly well, to interpret one to the other. He argued that "any identity of attitude is impossible," because of differing history, geography and economic interest, but that "an identity of purpose can be rebuilt if both will stop to think."

Such incidents as the squabbles between the United States and Western Europe over Grenada, the Siberian-European natural gas pipeline and Lebanon were really only transient irritants, Lord Carrington asserted. But he said there were lasting, deep-seated differences of perception.

"There is a feeling in the United States, to put it very crudely, that many European countries are more interested in material prosperity than in their own defense," he said. "You see us as selfish. To many Europeans, the situation appears very different: we worry about social and economic gains made since the war being eroded, and about a nuclear war fought on our soil."

"Europeans used to criticize the

United States for lack of leadership. Now you have an administration that is ready to give a lead, and you're criticized for not consulting us and for seeing things in black-and-white terms."

He added: "You simply can't in that position hope for your reward on earth. The British had a lot of practice at that."

Any dilution of the U.S. commitment to Europe's defense, he said, would be seen in Western Europe as "a very grave development." It is therefore up to Washington's allies in NATO, he declared, to do nothing to prompt the United States to reduce its troop strength in Europe, and yet some way must be found to involve Europeans more completely in their own defense.

"Opinion polls show revealingly nationalistic impulses on defense," Lord Carrington said. "In this country, for example, people are all for us maintaining an independent deterrent at the same time as they are worried about American bases. That's not anti-Americanism, in my view, but a desire for national independence."

The problem with suggestions that spending on Western Europe's



Lord Carrington

defense be switched in part from nuclear to conventional weapons, he contended, was that it would mean a cut in the U.S. military budget and an increase in the Europeans' budgets, since the United States could not be expected to increase its number of troops in Europe.

"It is desirable, of course," he said, "but it's about money, and one has to be realistic about money. The figures that are quoted seem unrealistically large."

## WORLD BRIEFS

### Man in Aquino Photographs Testifies

MANILA (UPI) — Philippine military authorities failed to conduct paraffin tests on a gun-wielding soldier in civilian clothes photographed running away from the site of the opposition leader Benigno S. Aquino Jr.'s murder, an investigatory panel was told Tuesday.

Sergeant Leonardo Mojica, 43, told an official commission that he was the man in a striped T-shirt pictured in a series of photographs on the tarmac of Manila International Airport moments after Mr. Aquino leader was assassinated Aug. 21.

Sergeant Mojica said he had been armed with a .45-caliber pistol but had not fired his weapon and was not among the 52 soldiers deployed on the tarmac who had been subjected to paraffin tests, which are used to detect traces of gunpowder. He said he was exempted from the tests after he accounted for all the bullets issued to him on that day. He said he was the leader of a seven-member surveillance team in civilian clothes assigned to the terminal building.

### Lebanese Protest Israeli Occupation

SIDON, Lebanon (Reuters) — Angry citizens closed their shops and barricaded highways in southern Lebanon Tuesday to protest Israel's occupation of the area.

Residents said that streets were deserted in the towns of Sidon, Tyre, Nabatieh and most southern villages. Amal, the Shiite Muslim militia which called the strike, has complained that Israel is damaging the rural economy by severely restricting movement in and out of the south and by building a wall.

Amal's top official in the south, Mohammed Ghaddar, called on the Lebanese government to send its army, now confined to the Beirut area, to the south to help resistance against Israel.

### Pretoria, Mozambique Prepare Pact

JOHANNESBURG (WP) — Talks between South Africa and the Marxist government of Mozambique appear to have cleared the way for a nonaggression pact between the two countries, which accuse each other of harboring enemy insurgents, observers in Pretoria said Tuesday.

After nearly three months of diplomacy by U.S. and Portuguese intermediaries, four working groups from the two countries met in Pretoria and Maputo on Monday. Only terse, noncommittal statements were issued by the groups afterward, but a source in one of the Mozambique delegations was quoted from Maputo as saying the talks on a nonaggression pact had been "highly positive and constructive" but that there was still "a lot of work to be done."

In addition to a nonaggression pact the working groups discussed financial assistance for the hard-pressed economy of Mozambique, the return of South African tourists to its seaside resorts and the running of the Cabora Bassa hydroelectric project on the Zambezi River.

### Separatist Drive Reported in Ethiopia

ASMARA, Ethiopia (UPI) — Eritrean separatist guerrillas have launched a major dry-season offensive in northern Ethiopia, overrunning the government garrison town of Tesseney and several smaller villages near the Sudanese border, relief agencies sources based in the Eritrean capital said Tuesday.

There was a noticeable increase of military activity both in the air and on the ground as government forces moved out to meet the guerrilla threat over the weekend. Diplomats in Addis Ababa, the Ethiopian capital, said earlier this week that Ethiopian forces had been put on alert in Eritrea in advance of the new offensive.

Relief agency sources confirmed Eritrean rebel claims broadcast over Somali radio that Ethiopian MIG-21 and MIG-23 fighter-bombers counterattacked the border villages after their fall to the guerrillas. "According to our reports, there is intense fighting on both sides near the border," a relief agency official said.

### Afghan Rebels Capture 18 Russians

NEW DELHI (LAT) — Afghan resistance fighters recently captured 18 Soviet soldiers and cut down the supply of electric power to Kabul, Afghanistan's capital, Western diplomats said Tuesday.

Negotiations were said to be under way for the exchange of the Soviet prisoners in return for release of anti-government guerrilla leaders held by Afghanistan, the diplomats added. Twelve were reportedly captured in Mazar-i-Sharif, northwest of Kabul, and six others were allegedly abducted while on patrol in a Kabul suburb, the diplomats said.

Resistance fighters also cut off part of Kabul's power supply with a raid Saturday on the Pul-e-Charkhi power plant, crippling one of its two generators. Earlier, they had cut one of two power transmission lines from a hydroelectric plant, the diplomats added.

### Poland to Raise Food Prices by 10%

WARSAW (AP) — The Polish government announced Tuesday it will increase food prices by an average of 10 percent on Jan. 30, and has scrapped a plan that would have pegged the prices at a higher level.

Jerzy Urban, the government spokesman, said the decision was a concession to popular outcry against a plan originally published in November. Mr. Urban said the increase, probably would raise the average cost of living up to 3.5 percent, compared with the 7-percent increase under the proposal outlined in November.

In Vatican City, meanwhile, Cardinal Jozef Glemp, the primate of Poland's Roman Catholic Church, held talks Tuesday with Pope John Paul II, church officials said. No details were given. The two men had been expected to discuss Cardinal Glemp's recent meeting with the Polish leader, General Wojciech Jaruzelski, as well as overtures by the Polish government on establishing diplomatic relations with the Vatican.

### West German Jailed in Wilson Case

ROTTERDAM (AP) — A Dutch court sentenced a West German man Tuesday to a year in prison for illegally storing Libyan explosives in Rotterdam at Edwin C. Wilson, a former agent of the U.S. Central Intelligence Agency, was allegedly planning to supply to European terrorist groups.

Wolfgang Steiniger, 37, was found guilty of unlawfully keeping about 100 pounds (45 kilograms) of plastic explosives at his shipping company, Westship. Prosecutors said during his trial in October that the explosives had come from Libya.

Mr. Steiniger had maintained that he was first approached by a U.S. military officer about the explosives in 1978 and that he believed they were being used in a CIA-sponsored operation with the consent of the Dutch government.

### Correction

The actor Gary Bussey and the director Richard Sarafian were mistakenly identified as one another in a photo caption in the Saturday-Sunday editions of the International Herald Tribune.

### Shultz, in Stockholm, Urges 'Pragmatic' Arms Progress

(Continued from Page 1)

is aimed at obtaining practical and measured solutions instead of grandiose agreements in principle.

Summing up the points, Mr. Shultz said: "We should look for ways to make progress on arms control, to make misadventure less likely, to inhibit the use of military might for intimidation or coercion, to put greater predictability into peaceful military exercises, in order to highlight any departures that could threaten the peace, and to enhance our ability to defuse incipient crises."

His aim, to use the current phrase, "is to increase the transparency of military activity in Europe."

But Foreign Minister Oskar Fischer of East Germany and Foreign Minister Bohuslav Choupek of Czechoslovakia sharply attacked the United States. It was an indication of the reception that may await Mr. Shultz on Wednesday when he meets with Andrei A. Gromyko, the Soviet foreign minister.

Mr. Fischer and Mr. Choupek particularly criticized Washington for going ahead with the deployment of new missiles in Europe, and of seeking modest agreements instead of such Warsaw Pact proposals as a ban on the use of nuclear weapons, a freeze on military budgets, a nuclear-free zone in parts of Europe, and a freeze on current armaments.

Mr. Shultz said that the focus at the conference "should be on practical accomplishments, as distinguished from empty promises of good intent."

The negotiations on limiting cheating weapons have been proceeding fairly well in Geneva, officials in Stockholm said. The United States a year ago said it would like a treaty banning all such weapons, and there has been progress even though the administration is going ahead with funds for a plant to produce chemical weapons. The plant would have to be demolished if the treaty went into effect.

Mr. Shultz took an indirect shot at the Russians when he began his speech by mentioning Raoul Wallenberg, a Swedish diplomat who saved the lives of thousands of Hungarian Jews during World War II.

Mr. Wallenberg was arrested by the Russians, who later said he died in a camp in the Soviet Union shortly after the war. But others have said he is still alive in a Soviet prison, or at least survived well after that period. He has been made an honorary citizen of the United States by Congress.

### Chief of UN Seeks Talks on Mideast Peace

Compiled by Our Staff From Dispatches

CASABLANCA, Morocco — The United Nations secretary-general, Javier Perez de Cuellar, has proposed the convening of a Middle East peace conference, the Moroccan news agency MAP reported Tuesday, as a conference of Islamic nations continued in closed session to seek a common position on conflict in the Middle East.

Mr. Perez de Cuellar told the agency that he made the suggestion in letters to the 15 members of the UN Security Council and would announce their response in March.

Mr. Perez de Cuellar was believed to have discussed the proposal at a meeting in Casablanca on Monday with Yasser Arafat, the chairman of the Palestine Liberation Organization.

Regarding the chances that his initiative might succeed, the agency quoted Mr. Perez de Cuellar as saying: "I am neither pessimistic nor optimistic. I know there are certain countries which might not want the convening of a Middle East conference. But as for myself, I have a mandate from the General Assembly of the United Nations."

He did not say which countries he thought might oppose a UN-sponsored conference.

The secretary-general mentioned Middle East peace plans previously put forward by Arab states, France, the Soviet Union and the United States, and said all the proposals should be put together and "shaken up like in a cocktail shaker. Maybe something positive will come out of it."



A wounded hostage carried to an ambulance after a shoot-out in Lausanne.

### Swiss Police Official Slain in Shoot-Out With Convicts

LAUSANNE, Switzerland — Swiss police stormed a Lausanne airport hangar and captured two convicts who broke out of prison Tuesday. A police official was killed in the shoot-out.

Lausanne police said that Chief Inspector Jean-Jacques Voegelin died several hours after being wounded. One of the escapees, Geronimo Arnavy, and one of two hostages taken by the escapees were also wounded.

It was believed to be the first time a police officer had been shot and killed in the line of duty in at least a year in Switzerland, where such shootings are extremely rare.

The incident began Tuesday morning, when Mr. Arnavy, 43, and Ramos Manuel Canelo, 37, both Spaniards, broke out of the Bochuz prison, near Lausanne, taking a prison guard and the driver of a private car

### New Conventional Weapons for NATO: Who Will Pay?

(Continued from Page 1)

severing communications behind Warsaw Pact lines.

These so-called "emerging technologies" cost relatively little when compared to the price of manpower in an era of falling birthrates, notably in West Germany.

But the weaponry is still an expensive investment, and some European officials suspect that enthusiastic U.S. advocacy of new technology is a new "buy American" campaign.

At the same time, the new military technologies "can have lucrative commercial spin-offs which could be shared by all alliance partners," Mr. Abshire said in a speech in Rome last month. Examples of dual-use technology are the advanced computers and high-speed communication links that the weapons require, which can be applied in the civilian sector.

Acknowledging that political reservations persist even in Mr. Weinberger's office, Mr. Abshire said that U.S. technology would not be shared unless European governments accepted tighter security to protect defense secrets against competitors and enemies.

A refusal by the Europeans of an offer of emerging technologies, however, could undermine their security and seriously damage the outlook for their high-technology industries, he said. "Some even feel that Europe will miss out on the third industrial revolution," he added.

He was referring to microelectronics and similar new products, an area in which U.S. ascendancy is helped by the Pentagon research budget, which is four times bigger than the combined programs of all other NATO nations. Japan's private sector has developed similar products, to which the United States recently obtained access as a Japanese contribution to collective defense.

With Europe lagging behind the U.S. economic recovery and worried about being left permanently behind by the United States and Japan, the technological issue is becoming increasingly central, especially for West Germany. A U.S.

### 'Bright Prospects' Seen By China for U.S. Ties

By Michael Weisskopf  
Washington Post Service

BEIJING — China's official news agency forecast on Tuesday "bright prospects" for Chinese-American relations and declared that Prime Minister Zhao Ziyang's visit to the United States had helped move the troubled relationship along a "healthy road."

"The determination of the Chinese and American peoples to live in peace has never been shaken," the news agency Xinhua said. "Keeping this mainstream in mind, one cannot but feel that there are bright prospects for the relationship of two great nations across the Pacific."

The commentary, issued a day after Mr. Zhao completed his 10-day U.S. visit, was Beijing's most upbeat appraisal of Chinese-American relations in years.

Foreign analysts say that while it may reflect the usual post-trip euphoria of the Chinese media, the commentary heralds a new era of stability in bilateral relations after three years of bickering over U.S. arms sales to Taiwan, technology transfer and trade issues.

Analysts cautioned, however, that relations remained essentially fragile and that the comments in no way signaled a return to the budding strategic partnership between Beijing and Washington in the late 1970s.

A Xinhua commentator, Peng Di, previously one of the most acerbic critics of U.S. policy, noted in Tuesday's dispatch from Washington that Chinese-American friendship has "stood the test of time and advanced through wind and storm."

Mr. Zhao's meetings last week with President Ronald Reagan, the commentary said, "will give impetus to the advance of the relationship between the two countries on a healthy road." Mr. Peng cited the "tremendous potential" of U.S.-China trade and the "common interests" both sides shared on several world issues.

He said, however, that Washington and Beijing still "differ on not a few" other issues, chiefly U.S. support for the Nationalist government on Taiwan, which the Communist regime in Beijing regards as an illegitimate government protected against reunification by the aid of U.S. weapons.

The long commentary devoted only two paragraphs to the Taiwan issue, which threatened to tear apart relations 18 months ago. Mr. Peng's criticism was unusually restrained compared to past commentaries in which he has called on U.S. supporters of Taiwan to avoid being placed "in the same category" as Hitler.

On Tuesday, however, Mr. Peng merely restated Mr. Zhao's reported comments to Mr. Reagan that any U.S. failure to fulfill its agreements, including one to phase out

### Zhao Asks U.S., Soviet to Agree on Nuclear Cuts

OTTAWA — Prime Minister Zhao Ziyang of China urged the Soviet Union and the United States on Tuesday to agree on "drastically reducing nuclear arms" so that China and the other nuclear powers, Britain and France, could eventually disarm jointly.

Mr. Zhao, making the first address ever by a Communist leader to the Canadian Parliament, endorsed Prime Minister Pierre Elliott Trudeau's initiative for reducing world tensions without committing China to taking part in a proposed disarmament conference of all five countries with nuclear arms.

"We appreciate the efforts made by Prime Minister Trudeau to safeguard world peace, relax international tension and promote nuclear disarmament," Mr. Zhao said.

"We hope that all peace-loving countries and people go into action," he said, "and urge the two nuclear powers, which possess over 90 percent of the world's nuclear weapons, to stop their nuclear arms race, resume disarmament talks, hold discussion in earnest and take the lead in agreeing on measures of drastically reducing nuclear arms so as to create the conditions for joint nuclear disarmament by all the nuclear countries."

Mr. Zhao, who ended an eight-day visit to the United States on Monday, is making a weeklong tour of Canada. On Tuesday morning, he met with Mr. Trudeau and his cabinet.

Mr. Trudeau said Mr. Zhao's speech "is momentous because this occasion constitutes a recognition of the very special ties which unite our two nations."

Mr. Zhao said there were three obstacles to improving Chinese relations with the Soviet Union: "First, the Soviet Union must stop supporting Vietnam in its aggression against Kampuchea [Cambodia]; second, it must withdraw its troops from Afghanistan; and third, it must withdraw its forces from the Sino-Soviet border and Mongolia."

On Hong Kong, Mr. Zhao said he believes that the colony's future can be resolved in negotiations with Britain, with the enclave becoming "a special administrative region of China to be administered by the Hong Kong people themselves" beginning in 1997.

"The current social and economic systems and lifestyle will remain unchanged," he said. "Hong Kong will maintain its financial independence and its status as a free port and an international financial center."

Mr. Zhao said his talks last week with President Ronald Reagan and other U.S. officials were "friendly, candid and serious." He said Chinese-U.S. relations have made progress, "however, there have also been ups and downs, and twists and turns."

About 200 Chinese-Canadians braved freezing weather to wel-

come Mr. Zhao at the Ottawa airport Monday.

"I have come for the purpose of seeking friendship and peace," Mr. Zhao said in an arrival statement. He said a good relationship "makes for peace and stability in the Pacific and the rest of the world."

Mr. Zhao said he expected fruitful talks with Mr. Trudeau and was looking forward "with the same eagerness to meeting with Canadians of all walks of life, learning about your achievements and drawing on your advanced experience."

In recent months, Mr. Trudeau has been pushing his proposals for reducing world tensions. The Canadian leader met with Mr. Zhao and China's top leader, Deng Xiaoping, two months ago in Beijing, but the Chinese officials said it was up to the two superpowers to take the first steps in reducing nuclear weapons.

Canadian officials also hope to expand trade ties to China. Last year, Canadian exports to China were worth about 1.5 billion Canadian dollars (\$1.2 billion), while imports amounted to 200 million Canadian dollars. Canada recognized the Communist government in 1970, nearly a decade before the United States did.

### Kidnappers Seize Saudi

(Continued from Page 1)

ratify the agreement. Syria has said that freezing the pact is not enough.

Former President Suleiman Franjeh, one of the three leaders of the National Salvation Front, said at a press conference in the northern town of Zghorta that Syria still insisted on an abrogation of the agreement "before any negotiations on any other issues."

■ **Palestinians Said Kidnapped**

Leaders of a small Palestinian guerrilla group were said to have been kidnapped in Damascus on Tuesday, Reuters reported from the Syrian capital.

Abu al-Ala, official spokesman of the Palestine Liberation Front, said that the group's secretary-general, Taleat Yacoub, and an unknown number of other PLF leaders had been kidnapped by gunmen led by Abdel-Fattah Ghanem, a member of the PLF's policy-making politburo, and his brother Mohammed.

Mr. Ghanem later denied any involvement in the kidnappings.

But he heralded a split in the PLF with a call at a press conference for the assassination of Yasser Arafat, chairman of the Palestine Liberation Organization.

The PLF maintained a neutral stance during a rebellion in the ranks of el-Fatah, the PLO's biggest commando group, which resulted in Mr. Arafat being driven out of Lebanon last month by Syrian-backed opponents.

### Gunfight in Spain Kills 3 Officers, One Assassin

VALENCIA, Spain — Three civil guards on road patrol were shot to death near here early Tuesday in a gunfight in which one of their attackers also was killed, the police said. The attackers may have been separatist guerrillas, they said.

In Victoria, the Basque Nationalist Party announced elections Feb. 26 for a new regional parliament in which it is expected to win a new four-year mandate. The party has ruled the Basque area since 1980.







# Herald Tribune

Published With The New York Times and The Washington Post

## Reagan's New Rhetoric

Ronald Reagan ran for president promising to build up a position of strength from which to negotiate with the Soviet Union and otherwise to check Soviet power. He has been building up and applying American strength, but in arms control the Soviets have declined to negotiate with him, and in Third World conflicts they have kept the heat on. The resulting spectacle of arms without arms control and of Third World tension has alarmed many Americans. To reduce their anxieties and to reduce the burden that their anxieties place on his negotiating position and political prospects, Mr. Reagan gave a speech on Monday in which he counseled firmness and said he would meet Moscow halfway.

Mr. Reagan could hardly have been expected to say — even if he believed it, which he does not — that his policy of the first three years has failed and so he is changing course. That was what some of his critics hoped he would do, reality be damned. But the Reagan reasoning leaves no chance of it. If there were ever going to be a payoff on the president's policy of "restoring deterrence" — that reasoning runs — it was always going to come later rather than sooner and it still may occur.

For their part, the Soviets smart at the thought of giving Mr. Reagan an election-year payoff. Countering their inclination to hang tough and confound him, however, is their awareness that they might do better to deal with him before the election rather than after. So 1984 is the showdown year.

Monday's speech provided the first full dis-

play of Mr. Reagan's recently announced decision to cool his rhetoric. Whether the change will make a difference in the closed society of Moscow is hard to say, but tone is certainly important in the open society of the West. The president is the last person to have to worry that a civil tone implies he has altered his views of the nature of the Soviet system.

The speech also demonstrated how Mr. Reagan intends to blunt the campaign by the American far right to spoil future arms control talks by inducing him to denounce Moscow for allegedly failing to observe past arms control commitments. The president is about to give Congress a classified report listing some seven clear or probable Soviet violations. On Monday he promised to "take the Soviet compliance record into account" in his defense program and in his approach to arms control.

There has been a brisk struggle over the whole violations issue within the administration and within the president's political constituency. It has been between those who wish to use the violations as a reason for cutting off further negotiations with the Soviets on arms issues and those who think that a continuing effort must be made to get answers to the allegations but that they should not be made a pretext for summarily withdrawing from crucial arms control dealing. Hard-liners to the president's right can be expected to continue their battle. Mr. Reagan, however, seems to be coming down on the side of wariness and continued negotiations — the right side.

— THE WASHINGTON POST.

## More Than Just Words?

Ten months ago President Reagan delivered to the National Association of Evangelicals what Henry Steele Commager, the historian, described as "the worst presidential speech in American history." Better dead than Red, the president implied, as he denounced "the aggressive impulses of an evil empire."

That is not the way he was talking on Monday. Not for years, he said, has America been as strong vis-à-vis the Russians. Why, that loud hang you just heard is the sound of the window of vulnerability slamming shut. Now, finally, we can trust ourselves to talk to them. Indeed, "in our approach to negotiations, reducing the risk of war, and especially nuclear war, is priority number one."

Priority number one. The president has come a long way in 10 months. Why? The surest explanation was provided on Sunday by the eight other candidates for his job. "There is no issue in our time more dominant than the question of whether we can stop the nuclear arms race," said Gary Hart. Said Walter Mondale, recalling the decline of Leonid Brezhnev, "There has not been a serious personal discussion between the president... and head of the Soviet Union since 1974."

As President Reagan's speech demonstrates, there is nothing partisan about fears of war and of the deterioration in relations with the Soviet Union. If he means to be re-elected, he had better give them priority.

But before declaring the importance of negotiation, the president had to overcome two obstacles. First, all that ringing "evil empire" rhetoric. He minimized it as standard cold war polemics. After all, "the Soviets call us imperialist aggressors and worse," but that does not keep us from talking. "Living in this nuclear age makes it imperative that we do talk."

That is especially welcome from the man

who in 1980 raised such a shout about the window of vulnerability. The window is the second obstacle to Mr. Reagan's turn toward dialogue. How and when was it closed, thus permitting us to trust ourselves to negotiate?

The window, Mr. Reagan said, opened dangerously because American land-based missiles had become vulnerable, tempting the Kremlin to become aggressive. Once he was elected, his remedy was to throw money at, maybe even out, the window. In truth, those missiles are no less vulnerable now than in 1980. Even the new MX missiles are to be based in the "vulnerable" old silos.

Then what has changed? Psychology, the Reagan administration contends. All that military spending has changed the psychology of negotiations. Well, maybe. But what has changed much more clearly is politics. Mr. Reagan knows how many millions of Americans are deeply concerned about the arms race. So now, instead of talking piously about a spiritual test between good and evil, he talks warmly about an imaginary Anya and Ivan meeting an imaginary Sally and Jim and talking about their children and hobbies.

Time to talk, Mr. Reagan says. That is a worthy and welcome position, no matter how far he traveled to achieve it. But he would be more convincing had he done more to pursue it in the last three years, or even on Monday. He could have moved the strategic arms talks along by ratifying the SALT treaty that is, in fact, observing. He could have pursued a treaty banning nuclear weapons in space. He could have pushed for a comprehensive test ban treaty. He could still do all that, and more.

Mr. Reagan says he judges the Russians by their deeds, not their words. That is a sensible way for American voters to judge him.

— THE NEW YORK TIMES.

## Other Opinion

### Five Months Without Andropov

How peculiar a system. Where else but in the glorious Soviet Union could a gentleman, or rather a comrade, who doubles as head of state and secretary-general of the nation's single party, remain invisible for almost five months without anyone publicly saying why?

Yuri Andropov presides over the destiny of 265 million Soviet citizens, not to mention an almost equal number of inhabitants in "brother countries" with restricted autonomy. He is the leader of one of the world's two great empires, and it has sufficient military power to reduce the planet to a barren rock. Is it reasonable to leave the last word to a man whose state of health prevents him, for example, from conversation with any foreign representative?

— André Fontaine in Le Monde (Paris).

### About Dialogue at Stockholm

For dialogue, it is necessary to look at the interlocutor with trust and not with perennial suspicion that the other side, pretending to seek weapons parity, stily tries to assure himself a position of supremacy. There is no more

time for hypocrisy, stratagems and delaying tactics, nor least of all for shows of force. Mankind's future ought to be constructed as of today. Tomorrow may be too late. The important thing is to return to negotiating.

— L'Osservatore Romano (Vatican City).

The European Security Conference has now acquired extra significance, since it will provide an opportunity for a meeting between Mr. Shultz and Mr. Gromyko. It takes two to tango; and it now looks as though the two are ready for the music to start up again.

So soon? Mr. Gromyko's presence at Stockholm and the meeting with Mr. Shultz suggest that the Soviet behavior in Geneva was essentially one of playing to the gallery of European opinion, which, in spite of all the Soviet efforts at exhortation and manipulation, showed no sign of altering to undermine the determination of Western governments. The Soviet Union was thus left with no policy. Given the paralysis of leadership in Moscow with the ailing Mr. Andropov, it is hardly in a position to enter into any creative negotiations.

— The Times (London).



## Is There Hope for Stockholm?

By Leopold Unger

BRUSSELS — The events that have led to today's scheduled meeting in Stockholm between George Shultz and Andrei Gromyko leave little room for illusion. Yet there are positive aspects. This could be the two diplomats' first serious talk — the meeting in Madrid last September after the South Korean plane was shot down hardly qualifies — since they met 15 months ago in New York. At a time when U.S.-Soviet dialogue has been suspended, the meeting should allow the two men to confer without losing face.

They confer against the background of the Stockholm disarmament conference, the first of eight such meetings that were planned in Madrid to carry on the process inaugurated in Helsinki in 1975. Under the Madrid mandate, measures to reinforce East-West confidence are eventually to cover not just a strip of 250 kilometers along the Soviet border, as foreseen in Helsinki, but the whole of Europe.

The Stockholm meeting is not without hope. After all, Mr. Gromyko could have refused to participate in person at the opening of the conference, as he did last October for the UN General Assembly opening.

Moscow has no attractive alternative. Its precondition for resuming the Geneva talks — the dismantling and repatriation of U.S. Euro-missiles — is unrealistic. It was while the Kremlin was boycotting the Geneva talks that the U.S. missiles became operational.

The absence of a clear Soviet strategy becomes more dangerous each day, particularly since it encourages discontent in Eastern Europe. Differences of opinion are normal and expected in the Atlantic alliance, but they indicate a malaise in the Eastern bloc.

Romania has openly declared its opposition to Soviet plans for new missile deployments, while Czechoslovakia and East Germany have been more prudent. But

those two countries have let it be known that their people are unhappy at the prospect of having SS-20 missiles deployed near their homes. East Germany, despite threats to "freeze" its relations with West Germany, appears still to want to save the very real advantages it has gained from Bonn's Ostpolitik.

Several factors can still come into play to prevent any serious initiative. One is the absence of Yuri Andropov. Other world leaders have been ill while in power. Franklin Roosevelt showed signs of senility at the Yalta conference; a dying Leonid Brezhnev and a terminally ill Georges Pompidou stayed in power until the end. But Mr. Andropov is simply absent.

There is a precept that says a Soviet leader should show himself in public only in good health or in death. But Mr. Andropov's absence, has complicated an already complex international situation.

Moscow's low diplomatic profile could be a scheme to play for time in the hope that Western cohesion will be hurt by rising pacifism or by aggressive rhetoric during Ronald Reagan's re-election campaign.

Meanwhile, Mr. Gromyko has gone to Stockholm and his intentions will soon be revealed. If, as many in the West hope, he is there to seek a compromise to end the Soviet boycott of arms negotiations, he will be taking part in an extraordinarily paradoxical situation: The long-sought goal of East-West cooperation measures extending throughout Europe, from the Atlantic to the Urals, would have been initiated in the shadow of hundreds of SS-20s and of the Pershing and cruise missiles that threaten both sides in Europe.

If the missiles could help lessen the risk of war in Europe, then they will have served some purpose. And only then will they be able to be withdrawn.

International Herald Tribune.

## Coming Up, a New International Economic Order

By Hunter Lewis

WASHINGTON — By now there is no question whether the United States is participating in a new world economy. Some 70 percent of American products face foreign competition. The collapse of U.S. exports in recent years made the recession three times worse than it might have been and continues to cost America almost 2 million jobs.

Whether Americans like it or not, they need to understand this new economy. Unhappily, understanding is still far from adequate. Consider three major misconceptions that seriously undermine the ability to compete in the world as it is today.

• The misconception that exports have declined because the dollar is strong, the dollar is strong because interest rates are high, and interest rates are high because of the \$200 billion a year federal deficit.

All this has the merit of being half true. If the deficit were eliminated and the dollar fairly priced, the United States might eventually eliminate as much as half of its merchandise trade deficit. But it would still be left with a trade deficit that in 1984 could easily top \$50 billion.

Moreover, it is not just a question of how much you export or import, and the resulting trade balance. The mix is all-important. By last year America's entire trade position had come to depend on only six key industries: agriculture, chemicals, aerospace, automobiles, electronics, and textiles.

• The misconception that what we now see is a world market in which purely national economies and companies no longer exist. In this view, Toyota is no longer a purely Japanese

company and General Motors is no longer a purely American company, so to worry about a challenge from Japan is jingoistic, if not irrelevant.

It is true that in the past the battle for world markets was easier to follow. Each corporate player — Toyota, GM, whoever — carried a figurative national flag wherever it went. That is all changing.

To cite just one bizarre example: Last March the Belgian government signed a protocol to supply China with computerized telephone switching equipment. The \$250-million deal will be implemented by an American company's wholly owned Belgian subsidiary with Belgian government financing. The deal required approval from Washington that might well have been withheld if the American company had directly requested it.

But do new forms of production, distribution and organization signal the end of a specifically American economy with specifically American companies? Not likely.

When the level of change subsides, traditional forms of corporate behavior will reassert themselves. There will be fewer and larger firms, each specifically national in form — and at least one in each major industry had better be American.

• The notable misconception that the new world economy of the late 1980s and the '90s will be much like

today's — turbulent, even violent, with industry leadership constantly shifting between countries and companies. Japan may shine for a moment only to be supplanted by newly industrialized countries, as the cycle may swing back to North America or Europe. In this view of more or less unending change, there are neither permanent winners nor permanent losers.

I do not believe this. The global market offers a finite opportunity. There may be several more decades of accelerated change before national economies adjust to a new international order. Eventually, however, clear winners will emerge with gigantic shares of international production.

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## By Blowing Hot and Cold You Give Friends a Chill

By Flora Lewis

BRUSSELS — Former Chancellor Helmut Schmidt and a former U.S. secretary of defense, James Schlesinger, got into a German-American spat last weekend. They really were not as angry as they sounded. Neither doubts the basic need for cohesion in the alliance. But they were driven by an action-reaction momentum that is building up on both sides of the Atlantic. Trying to be conciliatory, a former French foreign minister, Jean-François Ponce, spoke of "a drifting apart."

Former Secretary of State Henry Kissinger, who spoke before the storm broke and then flew off to New York for dinner with Prime Minister Zhao Ziyang of China, was moderate. But he told friends he was saving up his bombshell for a few weeks later when the to-do over his Central America commission report will have abated. That statement is expected to be a tirade against Europeans.

The surprising thing at the three-day conference here — which was sponsored by Georgetown University's Center for Strategic and International Studies — was that Americans and Europeans were so surprised by each other's grievances.

All these "formers" comprise much of the foreign policy establishment of the countries involved. All the issues were familiar, the old star wars they have been kicking around for years; so were the complaints. Yet several speak of "the crisis."

William Hyland, a former aide to Mr. Kissinger, talked about "serious, thoughtful people in the United States" who now doubt the value of staying in NATO. An important American general, known for extravagant talk, took bets that the United States will quit the alliance by 1990 — just six years away — in retaliation against the Europeans' refusal to "take on" the Soviet Union. He did not explain what he meant by "take on," but clearly it was in the opposite direction to détente.

There is auto-intoxication here, inflammation of sore spots that are real but ought to be soothed, not aggravated. The infection isn't Russian. There is no way Moscow could maneuver or manipulate the allies into such a state of mutual recrimination. Speakers reflected not only their own resentments but what they sensed that the people in their countries expect to hear. This is a sorry

abdication of leadership, more depressing for the West than anything the absent Yuri Andropov might say. Now, late in the day, President Reagan talks of cooling the fakedown with the Russians, its purpose mysteriously achieved. But blowing hot and cold doubles the confusion.

Scott Thompson, who wrote some White House speeches, gave a startling view of what all this was supposed to be about. He said the Reagan administration was worried at first about Western military weakness and "knew it would take eight to ten years to catch up. So meanwhile we had to do something to put the Soviets off balance."

Mr. Thompson admitted that rhetoric meant to upset the Russians exacted a price in frightening allies

No one is offering the kind of inspiration that brings surging hope for what the remarkable Atlantic partnership can achieve. There is a lot of slanging about who is to blame.

and also a lot of Americans. But he considered the operation — which can be called "Big Mouth" — a success because he said Moscow was now ready to deal.

That is an incredible conclusion, just when substantive talks have been broken off. It seems to show that the White House illusion of America's capacity to make the world shape up with noise is even greater than appears from outside.

Mr. Kissinger made a point that, while the Reagan administration talked very tough, it had not actually provoked any confrontations. It is the matter of nuclear issues, it is words that count. Deeds are the irreversible disaster. So the rhetoric becomes the policy, whether intended or not. There is no way to deliver asides to one audience that the rest of the world doesn't hear.

The friction that this has caused in European-American relations is all too clear because Europe has lost confidence in itself.

A generation ago President Kennedy spoke of "interdependence" and an alliance based on "two pillars." In those days the major European allies really thought they were building a pillar that could hold up Europe's end of the Atlantic relationship. Now, with scarce signs of American attention or concern, the European Community is in deep distress.

European leaders used to talk about putting into play new initiatives to strengthen and consolidate the Community. Recently, Common Market summit conferences have been only about trying to prevent further decay. It makes people testy.

No one is offering the kind of inspiration that brings surging hope for what the remarkable Atlantic partnership can achieve. There is a lot of slanging about who is to blame.

When friends succumb to exasperation, their adversaries have less to worry about.

The New York Times.

## LETTERS

### An 'Emotional Subject'

In response to the report "Kissinger Urges Dialogue With Russia" (IHT, Jan. 14) by Joseph Fitchett:

The writer states, "Mr. Kissinger said Western leaders must not flinch from discussing limited nuclear war — a highly emotional subject after the recent anti-nuclear campaigns."

Limited nuclear warfare is not a highly emotional subject because of the recent anti-nuclear campaigns but because of the very heart of humanity with a chilling fear. In what parts of the world, regions where, inevitably, many thousands of people are going to be killed or wounded — is this limited nuclear warfare going to take place? Who decides how limited it is going to be?

It is when one lets the heart speak, as well as the mind, that one realizes the unacceptability, on plain human grounds, of all nuclear warfare.

K. van der HEIDEN, Surinamese, France.

### Accountability Ignored

David Broder (IHT, Jan. 5) made an excellent point when he asked, "Shouldn't somebody offer to resign?" Surely all people in positions of leadership should be accountable for their actions and policies.

We in the West regard the once traditional Japanese acknowledgment of failure — suicide — as extreme, and certainly unacceptable in Christian terms. But resignation of a position of authority in recognition of failure is reasonable. Ignoring personal accountability weakens Americans individually and collectively.

However, to blame this shortcoming on a particular president or administration is to miss the point. Americans grow up in a "no fault" society; it even extends to our auto insurance. With the single exception of sporting competitions, ours is also a society in which failure is judged to be unacceptable. It is frequently explained away as bad luck.

This conditioning begins very early. The mother who consoles her disappointed toddler when he breaks his favorite toy with the words "It was your fault" would better say, "What a shame, dear, it's broken; next time you'll have to be more careful."

Without failure as a balance, success can mean relatively little. Without an individual sense of responsibility for ourselves and our actions, especially those actions which affect others, a person can be neither a real leader nor a full adult. Yet, somebody should have offered to resign.

JANIE CLARK ERICSSON, London.

## Reagan Plays Statesman While Democrats Feud

By David S. Broder

HANOVER, New Hampshire — If an American wanted to measure the political advantage that President Reagan enjoys as an incumbent unopposed for re-election, all he had to do was turn on the television Monday morning.

The early morning network news repeatedly showed the highlight of the Sunday afternoon Democratic presidential candidates' forum here — the shouting, finger-pointing exchange of insults between Walter Mondale and John Glenn.

An hour later the cameras turned to Ronald Reagan, standing alone in the East Room of the White House before his administration colleagues and senators of both parties and talking calmly about war and peace. Inviting the Soviets to resume negotiations on nuclear arms control, he said, "1984 is a year of opportunity for peace."

There has not been such a vivid contrast in electronic imagery since 1972, when Edmund Muskie's emotional and snow-spattered distaste against the publisher of the Manchester Union-Leader was counterposed on television with President Nixon's serene progress through the ceremonial toasts at a state banquet on his unprecedented tour of China.

George McGovern, who was the immediate beneficiary of Mr. Muskie's 1972 political collapse and finally the victim of Mr. Nixon's landslide, knows better than other Democrats the difficulties of fighting an incumbent president.

Lately Mr. McGovern has defied the cynics of his quixotic candidacy by talking sensibly and candidly in the most detached and self-deprecating manner. On Sunday he spoke up in Mr. Mondale's defense, after the former vice president had endured two and a half hours of attacks by Senator Glenn, Senator Gary Hart, former Governor Reubin Askew of Florida and others.

Mr. McGovern said he worried about "all of us jumping on the front-runner here," since "sometimes front-runners get nominated." The reminder changed the tone of the last portion of the three-hour marathon, as all the candidates put their blackjacks back in their pockets and went back to making their best cases for themselves. In that closing section, Senator Alan

Cranston recalled the basic point that "Ronald Reagan won an election. He is now our President. He's a disaster. We have to get him out."

For most of the afternoon, however, the Democrats were so busy pummeling each other that they forgot Mr. Reagan and the general election. On Monday morning, by contrast, Mr. Reagan was focusing at least as much on the electorate as he was on the Kremlin. His speech was designed to quiet domestic fears that his anti-Soviet independence was raising the threat of war.

Mr. McGovern, who despises the Reagan policy, was not asking the other Democrats to "be kind to Mondale." Intra-party competition can toughen a nominee for the general election. If Mr. Mondale is not tough enough to take a few shots from Mr. Glenn and the others, then he is not the man the Democrats want to send up against Mr. Reagan in the fall.

From where I sat it looked as though Mr. Mondale kept his composure for at least 179 of the 180 minutes. The exception was a plaintive "point of personal privilege" appeal to moderator Phil Donahue for help regaining the floor after Mr. Glenn's attack. When Mr. Donahue hesitated, Mr. Mondale just outshouted Mr. Glenn and made his rebuttal.

I thought Mr. Mondale came out at least even in his exchanges with Mr. Glenn. He was less effective in warding off Mr. Askew and Mr. Hart. They are fresh opponents and the charges they raised are hard to rebut. Mr. Hart is not alone in thinking Mr. Mondale super-cautious or in bearing a lot of old-fashioned phrases in his rhetoric. Mr. Askew is not the only one who thinks Mr. Mondale's commitment to organized labor on protectionist legislation is worrisome.

But in the larger context of the 1984 election, what may be more worrisome to the Democrats is the failure of their candidates in these televised forums to build a strong and consistent indictment of President Reagan and his record.

As I watched the debate I was mentally com-

paring it with the Republican candidate forums in Iowa and New Hampshire early in 1980, when almost as many candidates were jousting for attention. The overall impression then was of six men of distinctly varying viewpoints — from John Anderson on the left to Mr. Reagan on the right — but of common purpose. The main focus of their attack was President Jimmy Carter. If they were firing from different points, they were all aiming at the same target.

Up here in New Hampshire, it looked like the Democrats were going back to their old habit of lining up the firing squad in a circle. The presidential authority and bipartisan tone of Mr. Reagan's foreign policy speech Monday made the contrast sharper. At present, Mr. Reagan is winning the television campaign.

The Washington Post.



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## ARTS / LEISURE

## 'Le Bal': A Vivid Film Without Dialogue

By Thomas Quinn Curtiss  
International Herald Tribune

PARIS — Ettore Scola's "Le Bal" is the most original of recent films. It utters no word, relating the evolution of popular music and dance fads over the last 50 years, communicating in the international language of vivid movement and facial expressions to an accompanying score of yesterday's favorites.

The Italian cineaste, Marxist-minded, has shot the Théâtre du Campagnol's stage version, punctuating its depiction of changing fashions with political references. His plan is familiar enough, following the oft-repeated scheme of playing an account of modern history against a grotesquely comic background. His ideological nudging inserts a few clichés into a diverting spectacle, but does no major damage.

The permanent scene is a Parisian dance hall, which flashes back to a factory in 1936. A society couple in evening attire drops in to rub elbows with the rowdy mob. A cheeky thug, done up to look like Jean Gabin, takes the grand lady from the upper world for a swirl on the floor, while her monocled escort watches them aghast. Once the jaunty two-step is over, the roughneck goes back to his distressed street-girl sweetheart and the slumming pair depart.

The German occupation of World War II brings a long-legged Nazi officer on an unwelcome visit that concludes with his pas-de-deux with a male collaborator in slouch hat and trench coat. The liberation of Paris, the collaborator brings GIs to the swingeing of Benny Goodman and Glenn Miller. The postwar era finds the war-boppers cowering, the Algerian war overshadows the gaiety of rock 'n' roll, Beatles music signifies the 1968 student riots. Returning to 1983, an uncertain, where-do-we-go-from-here mood reigns.

What we have is a series of clever sketches, mocking the passing vogues, enacted against Scola's political backdrop. The Campagnol members, altering roles for the various periods, contribute a consummate ensemble performance of

panoramic art in a novel and highly amusing motion picture.

"La Trace" is the first full-length fiction feature of a debutant filmmaker, Bernard Favre. He is a protégé of Bertrand Tavernier, who already has a wide reputation, and Tavernier has aided his pupil in writing the scenario. Oddly, however, the finished product shows not the fingerprints of Tavernier's collaboration but the influence of Italians — the Taviani brothers and Ermanno Olmi — who specialize in long-lasting, plodding peasant sagas designed, it would seem, for weekly television installments.

Like its protagonist — a freedom-loving peddler who roams the Savoy mountain range in 1859 — "La Trace" is beset with wanderlust, traveling restlessly and without discernible aim. Its device is that of a picaresque novel, but its hero's peregrinations have not been united to effective theatrical purpose or sufficiently bolstered by the necessary robust humor. Its individual sequences are banded with fair stage management but reveal no striking directorial signature. Richard Berry as the protagonist has the film in large measure to himself and it becomes a sort of one-man show. He is an able actor of increasing popularity, but one wears of his endless hiking, and his adventures are lackluster.

Coluche, a comedian of broad and lowly music hall clowning, has the central role in Claude Berri's "Tchou Ptitin," a revenge melodrama of the Parisian milieu. He is cast as a fallen police officer who seeks solace from his sorrows in the bottle and becomes the fatherly protector of a hounded youth who reminds him of his dead son. Physically the star looks the part but he is unable to exact from it the required pathos.

Jerry Lewis is an American star more admired in France than in his homeland. French critics have eulogized him as a comic genius comparable to Chaplin or Buster Keaton. No-French critics puzzling the matter came to the conclusion that the language barrier aided him in foreign lands. Perhaps, they

speculated, the French enthusiasts were shaky in English and imagined everything he said to be as witty as Sacha Guitry at his best.

In any case, Lewis, responding to the generous estimate, has made a film in France, in French: "René-tenez-moi... on se fait un malheur!" That he outshines such weak assistants as Michel Blanc and Laura Betti and a low-budget production is not to be denied. He meets the challenge bravely with his repertoire of grimaces and awkward comportment, and some of his gags and misadventures win the longed-for laughs and will please his fans.

Yet the script prepared for him is wretched stuff that a beginner would have rejected. Its silly plot is utterly unnecessary. All that is required is for Lewis to come on the screen and be as funny as he can.

Gilles Béhat's "Rue Barbare" and Jean-Claude Missiaen's "Ronde de Nuit" are routine gangster spiels, similar in their sleazy settings to the Berri venture. The first of the duo is excessively bloody, the participants of its sadistic brawls covered with oceans of tomato sauce. The second is a more droll, with a dusty siren luring victims to their deaths, sometimes shooting them down with her cigarette-blower.

In Yves Boisset's "Cankade" the gangster battles are removed to a farmstead background populated by peasants who seem to have escaped from the pages of Zola's "La Terre." Lee Marvin, who plays its lead, has told an interviewer that, because of the public demand for science-fiction epics, actors are being replaced by robots in Hollywood. He enacts his assignment with customary vigor, but his vehicle is so mechanical that it seems to have been written by a robot.

U.S. Movie Marquee  
CAPSULE comments on films recently released in the United States:

Gregory Nava's "El Norte," a small, personal independently made film with "a visual style of astonishing vibrancy," emerges, writes Janet Maslin of The New York Times, "as a virtually seamless saga." The film follows two Indians from their native Guatemala to the dreamland Los Angeles, where they find menial work and learn English well enough to say, "It is usually very sneaky." Nava, an American of Mexican-Basque origin, presents their story in simple, yet far-reaching terms, says Maslin, "so that its cultural and political implications are ap-

parent and so that its humanity is always felt."

"Vertigo," probably the Hitchcock film that "arouses the strongest emotions," has been reissued. "What is sure to startle anyone," writes Janet Maslin of The New York Times, "is the spectacle of a film... whose every element is so precisely geared to the larger whole." Starring James Stewart and Kim Novak, the 1958 film is haunting and "now seems shocking," says Maslin. "Even for a Hitchcock film, 'Vertigo' is unusually meticulous. No director today exerts the kind of unrelenting control that Hitchcock did."

With snow replacing surf, Peter Markle's "Hot Dog" is "a beach party movie, marginally better than the average," writes Janet Maslin of The New York Times. Set in Squaw Valley and revolving around the World Cup freestyle competition, the film pits young hopefuls against one another on the slope by day and puts them together in hot tubs by night, but Markle manages to "keep the mood light and less morose than it might have been." "Hot Dog's" heroes are the stunt skiers, Maslin says, and "some of the sports footage is quite lively."

Another Southern California-style "problem film," Robert Vincent O'Neill's "Angel" is the story of Molly, 15-year-old honors student by day, Hollywood hooker known as Angel by night. "Angel," writes Vincent Canby of The New York Times, "comes very close to being so consistently indelicate that it's not unentertaining." Although the film is "not without its peculiar amusements," Canby says, the performances are not among them. Donna Wilkes as Molly looks an "extremely mature 15." Dick Shawn, in full drag, is Cliff Gorman, as a Los Angeles detective, is the only straight person in the movie. Concludes Canby: "They're all quite bad, if good-humored."

China Says Tourism Rose 14% Last Year  
The Associated Press

BEIJING — The National Tourism Administration said Tuesday that 872,500 foreign tourists visited China in 1983, an increase of more than 14 percent over 1982. The official news agency Xinhua quoted the tourism administration's deputy director, Wang Yueyi, as saying China now had 318 hotels for foreign tourists.



Scene from Ettore Scola's film "Le Bal."

## Poindexters Face Nerds

United Press International  
MEADVILLE, Pennsylvania — Strange agents aren't weird spies. They're more like Poindexters.

"Poindexters" and "strange agents" — or "nerds," as they were known a year ago — are among current college expressions translated in a slang guide published at Allegheny College in Meadville, north of Pittsburgh.

The guide, first published for parents, has been expanded into a booklet called "Inside Views" for new students, said a school spokeswoman, Jan Dillard.

It includes slang expressions common to Allegheny and those in more widespread use.

A student who says he needs to get bucks from the rents to grill it and down some za merely needs money from his parents for pizza in the college snack bar, "Rents" are parents, "grill it" means to eat at the snack bar and "za" is pizza.

"Face" means to embarrass and "sinnail" means empty mailboxes. A "duke course" is an easy class. "Grill rats," are, of course, students who "grill it."

At Allegheny, "comping in a cube" means studying for a senior project in a library cubicle. A "pig book" contains pictures of fresh-

man, and "beans" are town residents.

Face probably comes from basketball, where a guard will put his hands in front of another player's face, said Nels Juleus, an Allegheny professor of languages who teaches a course in slang.

The handbook becomes dated fairly quickly. It's facing to use old slang.

"We used 'buna' for a fat girl or a girl back in 1980," Nels said. "My class this year never heard of it."

Voice-Command Phone Demonstrated in U.S.  
United Press International

LAS VEGAS, Nevada — A New Jersey corporation has demonstrated a voice command telephone that its developers say could be invaluable for the handicapped or others who cannot dial.

The Command Dialer, demonstrated at the International Winter Consumer Electronics Show in Las Vegas, appeared on the market less than two months ago and 1,800 were delivered before Christmas, said Samuel Wren, president of Attic Corp. of Saddlebrook, New Jersey. The phone can learn the voices of several people.

The Bundestag committee was not satisfied, the party might demand a full inquiry.

Mr. Wörner completed Tuesday a report on the matter to a meeting of the Bundestag committee, the Christian Democratic Union and the Christian Social Union, in West Berlin.

He told party members that there had been no mistake in identifying General Kiesling. Sources at the meeting said that Mr. Wörner's colleagues were satisfied with the explanation.

The Cologne police have confirmed that a former soldier bearing a resemblance to the general has been seen in the two bars. But Defense Ministry officials have suggested the soldier was set up by the general's friends to protect him.

Both the Bild and Frankfurter Allgemeine newspapers reported Tuesday that Cologne detectives had discovered large sums of money were involved in setting up a look-alike.

Meanwhile, the first public hearings on a political bribery scandal involving the Flick industrial conglomerate are set to open Wednesday in Bonn. Witnesses will include Mr. Kohl, former chancellors Helmut Schmidt and Willy Brandt, and several cabinet ministers. The hearings, before a special all-party parliamentary committee, are scheduled to last several months.

## 'Softcops' at Barbican: Notes, but Not a Play

By Sheridan Morley  
International Herald Tribune

LONDON — In a program note considerably more carefully put together than the play it accompanies, Caryl Churchill outlines the interests that led her to "Softcops," a bizarre vaudeville pageant in the Barbican pit.

First, there's her fascination with two 19th-century faces on the same French criminal coin, Vidocq (the criminal who became chief of police) and Lacenaire (the criminal who became society's darling).

Second, there's her interest in the change from a system in which large numbers of people watched public executions of one man at a time to a system in which one guard at a time watches over large numbers of

prisoners. Third, there's her awareness that a lot of subpolicing is now done by nurses, traffic wardens, doctors, employment clerks and other civil servants.

Any or all of these interests might have led to a well-crafted play if they had been intelligibly followed up. Instead, Churchill has flung them all at random into a baroque hotchpotch of sketches, concert pieces and blackout images that even a director of Howard Davies's skill and subtlety has been unable to pull together into any kind of coherent shape.

Thus we get a 30-minute chamber recital, admirably accompanied by the Medici String Quartet, but giving the impression that you've been asked to watch the staff amateur dramatic society of Madame Tussaud's performing an end-of-year romp in the Chamber of Horrors.

One or two moments do work very well, notably a superb John Le Carré parody, though you begin to wonder what spies have to do with a crime-and-punishment-through-the-ages survey principally concerned with criminals rather than political activists. About 40 minutes into a brief evening you begin to realize that what Churchill has here are a lot of random notes for a survey of penal reform but nothing that could remotely be called a play. A lot of Royal Shakespeare Company talent is being wasted on a show that might just about get by in a lunchtime pub.

In the vast open spaces of the Prince of Wales, where if there is any justice the cast ought by now to be outnumbering the audience, the Danny La Rue revue "Hello Dolly!" is both a travesty and a drag in every possible sense. This once-great show, arguably the classic Broadway big-band musical of the 1960s, has been reduced to an end-of-the-pier shambles in which every possible expense would appear to have been spared in everything except the costuming of La Rue, whose gowns were doing a great deal more acting than he was.

Not only does he appear to have only a fleeting acquaintance with the original script (a work of some verbal skill based by Michael Stewart on Thornton Wilder and all the other dramatists who have seen in a story of two small-town clerks having a night on the big city a classic farce, right up to Tom Stoppard's "On the Razzle"), he seems to have no idea of the utter havoc and destruction that his bland showbiz amiability wreaks on the complex character of Dolly Levi. La Rue would have been a lot funnier and better cast as Hedda Gabler.

In a supporting company of quite remarkable inadequacy only Lionel Jeffries, making a welcome return to the stage after a quarter of a century, seems to have the remotest notion of what this show was once about. The rest of it is a derelict, tacky and shoddy shambles of which the Prince of Wales management ought to be deeply ashamed. This, incidentally, the only theater in town that ropes off the front entrance during intermission, presumably to keep the audience from trying to escape.

There is not much comfort to be found at the Gate, where this year's Cambridge Footlights revue is playing a London mood. "Hawaiian Cheese Party" is a collection of tired showbiz routines lacking in punch, lines and in any discernible attitude about anything.

This could well be a reflection of the current eager-for-employment student mood, but if the entertainment industry is looking toward undergraduate humor for the late 1980s as it did for the '60s and '70s, it had better be warned that there is not a lot going on at the moment unless, you count some James Bond jokes that would have looked ancient in 1965 and an apolitical, aimless lurch back toward the middle of the road for the kind of revue that was (or so I had thought) laid to rest by students from this same university with "Beyond the Fringe" in 1960.

## \$1 Million Prize for Big Fish

GEORGE TOWN, Grand Cayman — The government of the Cayman Islands is offering a prize of \$1 million to an angler who catches a world record blue marlin.

The record now is 1,282 pounds (582 kilograms) for a blue marlin that was caught off St. Thomas in the U.S. Virgin Islands in 1977. Additional prizes of \$100,000 each will be offered for other catches during a competition in June, a government spokesman said. The Cayman Islands are a British colony in the Caribbean.

## South African Blacks Defy Removal

Rights Groups Slow Resettlement, but Success Is Ambiguous

By Alan Cowell  
New York Times Service

JOHANNESBURG — In parts of South Africa's bushlands, there stand, inconspicuously, rows upon rows of modest tin buildings, glimmering in the heat, more settlements of hard politics.

The structures are outhouses, and they are the first things to be erected in some areas where South Africa's white authorities seek to relocate black people away from "black spots," settlements encircled by white-owned land.

Often, the outhouses far outnumber the windowless tin homes that the authorities provide for resettled blacks and that the outhouses are supposed to serve. So those who monitor the involuntary resettlement of blacks count the outhouses, not the homes, to reach an estimate of how many people the government wishes to resettle.

Over the last 20 years, the tally has mounted to 3.5 million people prevailed upon by the authorities to leave ancestral lands and implant frail tentacles in new, unchosen places.

In recent months white civil rights groups appear to have scored some successes in slowing some resettlements, playing on the authorities' sensitivity to adverse publicity, television footage of bulldozers flattening homes, churches and schools does not, it is calculated, help South Africa's image.

The victories, however, have been ambiguous. They have not deflected the authorities from a policy designed to offset the arithmetic threat of the black majority by moving black people into what are called homelands: geographical creations of Pretoria's fashioning, in which blacks automatically cede South African citizenship and thus any legal claim to influence the nation's future.

Moreover, civil rights workers concede, their victories apply only to those "black spots" that come to public attention, not to those where removal is enacted without public scrutiny. Even in places where the authorities are temporarily restrained from evicting settled populations, the delay produces more anxiety about a flicker future than relief at a postponement of uncertain duration.

At Matroosburg, close to the town of Boon, 60 miles (about 100 kilometers) west of Johannesburg, a community "has been living under the threat of removal for years," according to a white civil rights worker from an organization called Black Sash. The authorities, and the people there, know removal is scheduled, but no one will say when it will take place.

At Magopla, 30 miles to the southwest, some of the 500 families resisted a government order to move late last year. The rebellious villagers, whose ancestors bought the land 70 years ago, are still there, clinging, despite the bulldozing of schools and churches after some of their clanspeople left and resettled where the government instructed.

A week ago, 300 families at Badplaas refused to leave their homes in the eastern Transvaal, 200 miles east of Johannesburg, a region associated by most whites with vacations in the hills, trout fishing and mineral spas.

The authorities had given them until Jan. 11 to move or face eviction. They did not move, indeed vowed to stay on, and they were not forcibly removed, apparently because activists had been able to publicize their plight.

At Badplaas the justification for the eviction is derived from a law stipulating that blacks with certain rights may only reside in what are called "prescribed areas." Badplaas is, indeed, a prescribed area. But under a related law, blacks must also live in areas formally proclaimed as townships. Although the people have lived in Badplaas since the end of the 19th century, it has not been proclaimed a township, because the government chooses not to do so.

The authorities want to move them to another place 20 miles away that lies, by the government's cartography, not in South Africa itself but in KaNgwane, an entity recognized only by Pretoria. It is the homeland set aside for people of Swazi descent.

The leader of the Badplaas families is Chief Johannes Dlamini, who is also the chairman of the Swazi Council of Chiefs in South Africa. He would not, it seems from interviews, oppose the incorporation of Badplaas into Swaziland, the recognized, independent kingdom that lies close by, from which he claims ancestry. But he does not want to move away from his ancestral lands, and he does not want to go to a homeland.

In a radio interview on Sunday, the Catholic primate, Cardinal Tomaz O'Flaherty, said people might be morally justified in joining or voting for Sinn Féin if they wanted to involve themselves in community activities.

Sinn Féin, while supporting the IRA guerrilla war against British rule in Northern Ireland, is also active in local government and community affairs in both parts of Ireland.

In a terse statement on Monday, the Irish government said it did not believe that "ancillary political activities" could ever provide grounds for support of any kind for Sinn Féin.

"Provisional Sinn Féin has openly and in a manner that cannot be misunderstood declared its support for a campaign of murder and intimidation to achieve its political ends," it said.

The disagreement was seen as one of the most serious to date between the government and the church hierarchy in this predominantly Roman Catholic state.

The military trial of the 101 members of the Tudeh cell began three weeks ago. The soldiers were charged with disobeying the directives of Ayatollah Ruhollah Khomeini, the Iranian leader, by belonging to a political party while still in the Iranian Army.

The two deaths during a shoot-out with the gunmen appeared to violate a traditional IRA ban on armed action against members of the Irish security forces, and led to calls for the organization to be banned.

Tudeh Members' Trial Is Concluded in Iran  
The Associated Press

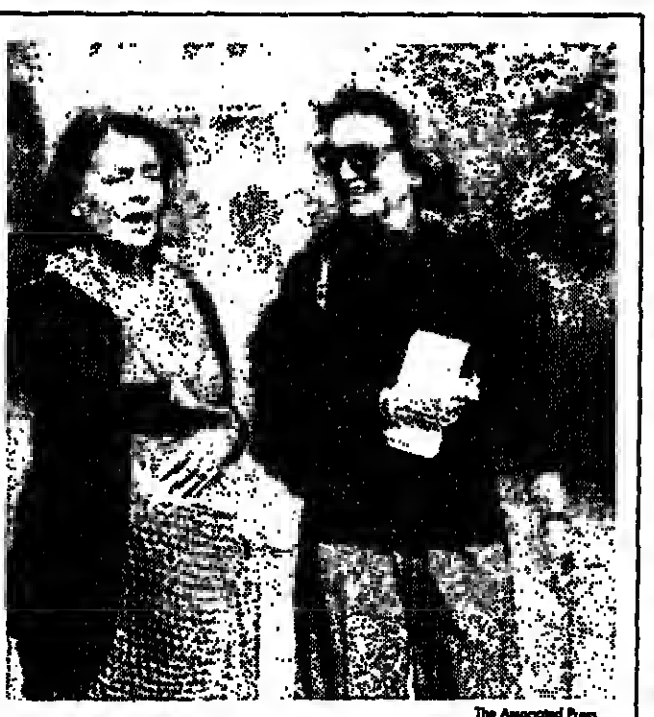
BEIRUT — The trial of members of the underground military cell of the outlawed Tudeh Party, Iran's Communist party, ended Tuesday and verdicts will be announced Saturday, according to the official Iranian news agency, IRNA.

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The Bundestag committee was not satisfied, the party might demand a full inquiry.

Mr. Wörner completed Tuesday a report on the matter to a meeting of the Bundestag committee, the Christian Democratic Union and the Christian Social Union, in West Berlin.

He told party members that there had been no mistake in identifying General Kiesling. Sources at the meeting said that Mr. Wörner's colleagues were satisfied with the explanation.



IN THE PINK — Jacqueline Kennedy Onassis, on a trip to India, was shown around Jaipur, the Pink City, Tuesday by Gayatri Devi, former maharani of Jaipur.

## Dublin Rebukes Cardinal Over Remarks on IRA

DUBLIN — The Irish government has rebuked the head of the country's Roman Catholic Church over remarks that appeared to justify support for Sinn Féin, the political wing of the Irish Republican Army.

In a radio interview on Sunday, the Catholic primate, Cardinal Tomaz O'Flaherty, said people might be morally justified in joining or voting for Sinn Féin if they wanted to involve themselves in community activities.

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## Social Democrats May Seek Inquiry Of West German General's Dismissal

Compiled by Our Staff From Dispatches  
BONN — West Germany's opposition Social Democratic Party said Tuesday that it might demand a full parliamentary inquiry into the dismissal of a four-star general who allegedly frequented homosexual bars.

General Günter Kiesling, 58, was a deputy supreme commander of the North Atlantic Treaty Organization until he was forcibly retired last month by Defense Minister Manfred Wörner.

Government officials have said that four witnesses saw the general in two homosexual bars in Cologne.

General Kiesling has strenuously rejected the allegations, and over the weekend the Cologne police said they might have confused the general with another man who frequented the same bars.

On Tuesday, General Kiesling made a sworn statement saying that he had never had homosexual relations, his lawyer said.

His statement came a day before Mr. Wörner was to appear before an all-party parliamentary committee to explain the general's dismissal. The committee was to meet at the behest of Chancellor Helmut Kohl, who has demanded an explanation of the matter.

Hans-Jochen Vogel, the Social Democrats' parliamentary leader, said that if Mr. Wörner's report to the Bundestag committee was not satisfactory, the party might demand a full inquiry.

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He told party members that there had been no mistake in identifying General Kiesling. Sources at the meeting said that Mr. Wörner's colleagues were satisfied with the explanation.

### Dining Out

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## INSIGHTS

# After the 'Golden Age': Some Economic Lessons

As the U.S. Recovery Gathers Steam, Economists Debate the Promises and Dangers of the Future

By Leonard Silk

New York Times Service

NEW YORK — The two decades after World War II have been called a "golden age" of growth and stability for the United States and the rest of the industrial world. "In the 'golden age' of the 1950s and 1960s," said Angus Maddison, a British economist, "economic growth in the advanced capitalist countries surpassed virtually all historical records."

But, starting in the late 1960s, the U.S. economy was battered by a series of economic and political shocks that turned the golden age into an age of tin. First came President Lyndon B. Johnson's "guns and butter" policy, which bred inflation during the Vietnam War; then came President Richard M. Nixon's surprise of Aug. 15, 1971, when he suspended the convertibility

of the dollar into gold, imposed wage-price controls and embarked on a highly stimulative inflationary and monetary policy. International financial chaos and the end of the Bretton Woods monetary system of fixed exchange rates hit the world economy in 1973, and the Organization of Petroleum Exporting Countries twice in that decade tipped the world into economic shock with monumental increases in oil prices.

As the U.S. economy careened from one shock to the next, inflation soared, productivity floundered, real growth slowed, several deep recessions battered industry, and unemployment rose to the highest rates since the Great Depression. Internationally, mountains of debt, spawned by the explosion in oil prices, threatened to produce a world banking crisis.

## Strong and Weak Recoveries

But with the dawning of 1983, the darkness began to lift. The United States swung into a strong recovery, spurring weaker recoveries in other industrial countries. And now, a year later, some economists have begun to speculate that the nation, with inflation still low, unemployment still high and industrial capacity ample, may even have an opportunity once again for a sustained period of economic growth reminiscent of the early 1960s.

The Reagan administration, facing an election race this year, has eagerly embraced that

prospect. Its budget for the fiscal year 1985 and projections through 1989 are based on the president's belief that the nation has entered a long period of steady growth (4 percent a year during the second half of the decade), subdued inflation (3.5 percent in 1989), lower interest rates (a 5-percent Treasury bill rate by then) and reduced unemployment (5 percent in 1989).

But has the United States truly entered an era of economic calm? Or will 1983 and 1984 turn out to be a brief interlude of growth, the prelude to another unsettling economic shock?

There is a great deal of skepticism among economists and businessmen about the dawning of a new era. Most expect 1984 to be a good year but are worried, primarily by the huge size of the expected federal deficit, about what lies beyond the election year. A recent poll of 627 managers of financial institutions by A.G. Becker Paribas Inc., an investment bank, found that fewer than 8 percent expect depression or hyperinflation in 1984. But 30 percent expect a depression and 36 percent expect hyperinflation before 10 years have passed.

## Marking a Better Course

There is a dissenting view, however, and not just at the White House. It is held by those who think that enough can be learned from studying the events and disappointments of the past two decades of economic history to mark a better course for the future.

One of the most powerful American economists, Paul A. Volcker, chairman of the Federal Reserve Board, asserted this view at a meeting last month of the American Economic Association in San Francisco. The United States, he said, may be able to reverse the experience of the 1970s and demonstrate that "an economy that seemed to be going downhill, with one adverse shock begetting another, can go up as well."

"I do not share," he said, "the doubts and skepticism — indeed the deep cynicism of some — about our capacity as a nation to learn from bitter experience and draw practical lessons for the future."

He saw an "enormous opportunity" to set in train a long period of growth and greater stability, but he stressed that his "happy vision" would not come about if the nation sat back and simply hoped that the "recent good news would produce a lasting momentum of its own."

There are new and unprecedented risks to sustaining progress, Mr. Volcker warned: the enormous budget deficits that loom ahead, the international debt problem, the gaping and still growing imbalance in the United States' international accounts, the strong forces of protectionism, and "not least," he said, "the temptation to return to behavior patterns bred in the years of inflation."

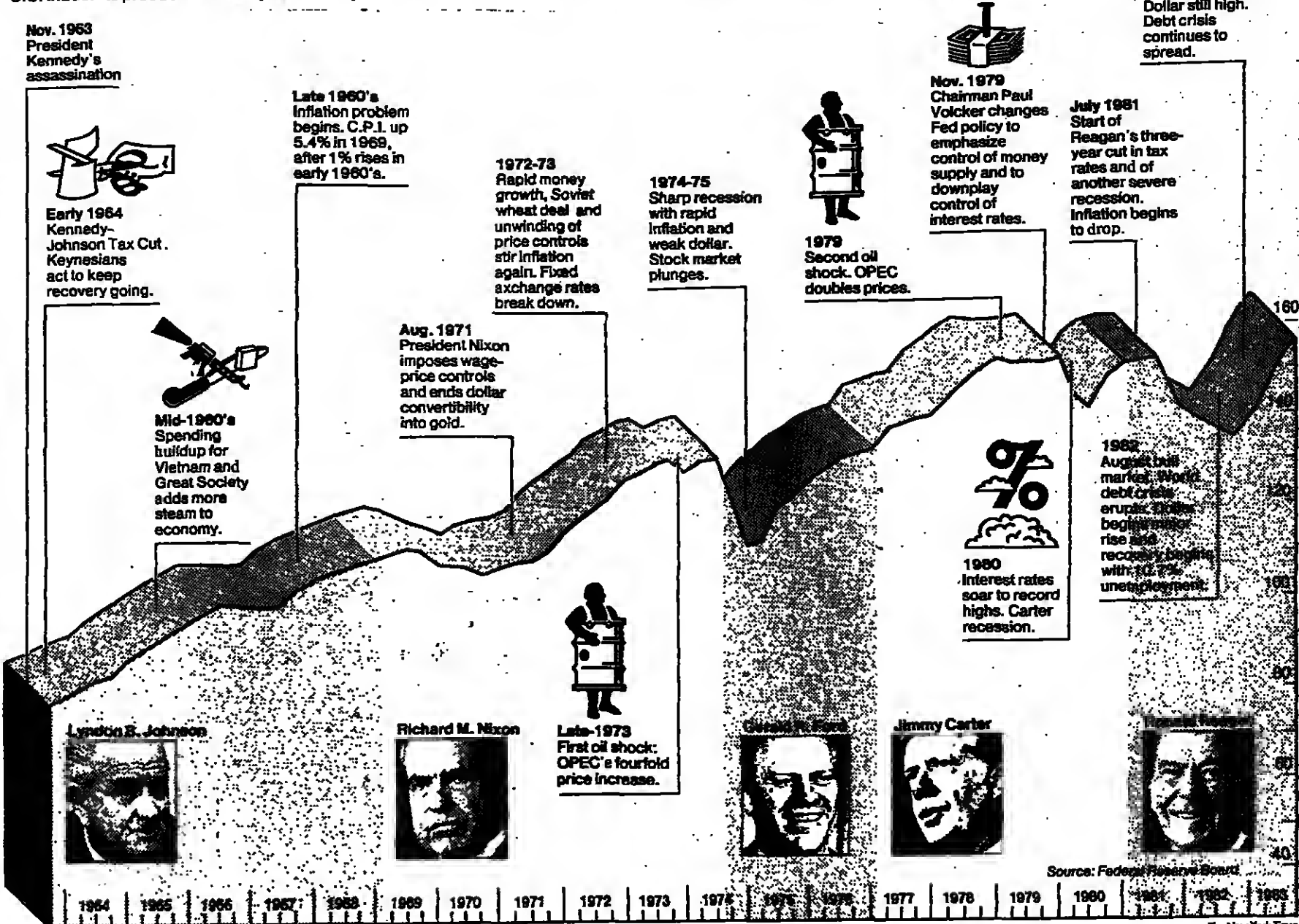
But he thought the trends could be met if the nation acted upon the lessons of the past.

## Some General Agreement

Even the skeptics might agree to that proposition. But what are the lessons from history? Although economists and others may differ in degree about what these might be, there appears to be general agreement on a few crucial points:

## Two Decades: The American Economic Experience

U.S. Industrial production index (1967=100)



Presidents must make the tough decisions on how to use limited national resources while there is time, not subordinate those decisions to immediate political advantage.

Inflation was kicked off in the United States during the Vietnam War, when President Johnson, with the economy approaching full employment, delayed, for political reasons, the difficult choice among three possible policies: raising taxes, cutting his Great Society programs or curbing military spending. And President Nixon, with his new economic policy, simultaneously launching a highly stimulative fiscal and monetary policy, clamping on wage and price controls, suspending the convertibility of the dollar into gold and embargoing sales of certain American agricultural products. When the controls were lifted after his electoral victory in 1972, the suppressed inflation burst forth.

There is a broad consensus among economists that President Ronald Reagan is taking undue

risks of imposing inflationary strains on resources by his huge budget deficits, stretching, as David A. Stockman, director of the Office of Management and Budget, has put it, "as far as the eye can see."

If tight money is employed to keep those inflationary pressures from getting out of hand, the consequence, once again, is likely to be a shooting up of interest rates and another steep recession.

Economists differ on just how much time Mr. Reagan has to put his budget in better order. Some see his so-called "supply side" tax cuts as really Keynesian demand-side tax cuts, which have, combined with an easier monetary policy, fortuitously helped to lift the economy out of the deep recession and should be allowed to push it even closer to full employment.

Thus, Gardner Ackley, professor of economics at the University of Michigan and chairman of the Council of Economic Advisers under President Johnson, told the economists in San Francisco: "For 1984, I see no reason to worry

about the deficits. Rather, we should welcome them for their contribution to recovery. But I do worry about deficits of the size currently forecast if they extend much beyond 1984."

His reasons: Unless curbed by tighter monetary or fiscal policy, the deficits threaten to reaccelerate inflation. And if excess demand is curbed primarily by tight money, as now seems likely, that could generate even higher interest rates and come at the expense of investment and growth.

Supply-siders, such as Alan Reynolds of Polymonics Inc., a consulting firm, still contend that concern about budget deficits is vastly exaggerated and that it would be foolish to try to reduce them by raising taxes. Mr. Reagan, on that point, still marches with the supply-siders and is determined not to reduce the planned rapid buildup of military spending.

But most of the president's own economic advisers, especially Martin S. Feldstein, chairman of the Council of Economic Advisers, disagree. They fear a situation like Vietnam revisited, with military spending rising, taxes falling and the budget deficit widening. They believe, as do most economists, that with the economy in a recovery it is vital to bring down the deficit.

Treasury Secretary Donald T. Regan, who believes the president should defer the tax issue until after the election, has laid out a list of options for Mr. Reagan to consider. If the president decides to increase revenues to reduce the fiscal year 1985 deficit from its expected \$186-billion level. In a memo to the president, which reached the press last week, Mr. Feldstein said, "As you know, there is no chance that we can get all of the proposed spending cuts enacted in 1984."

## More Heed to World Economy

The United States must pay more heed to the international economy in setting its domestic economic policies.

President Nixon, ignoring this rule, slammed the gold window shut to prevent the further outflow of U.S. gold and make it possible for him to pursue a highly stimulative economic and monetary policy. That move set off waves in the world economy that accelerated inflation and eventually ended the Bretton Woods system of fixed exchange rates. Mr. Maddison, the British economist, cites the "messy" collapse of Bretton Woods and the resultant system of floating exchange rates as a major cause of the breakdown of the golden age of growth and the unleashing of stagflation in the 1970s.

Mr. Volcker, in his address to the economists' convention, stressed that the need to close the budget gap and bring down interest rates was "pressing" for international reasons. The level of the dollar interest rates, forced upward by the deficits, he said, "plainly aggravates the strains on the international financial system, strains apparent in the heavy debt burdens of many developing countries and in the persistent and growing flow of capital into the United States, with its counterpart of a widening trade deficit." Mr. Volcker said he did not share the comfortable assumption of some that working for a better budget balance could wait a year or more.

C. Fred Bergsten, a former assistant secretary of the Treasury, warns that high interest rates and the huge American trade deficit, now threatening to reach \$120 billion in 1984, could bring on a deluge of protectionism and wreck the world trading system as other countries retaliated. Foreign governments blame high American interest rates for holding down the European recovery and for straining the financial resources of developing countries like Brazil, Argentina and Nigeria almost to the breaking point.

But untangling this skein could itself be tricky. Geoffrey Bell, a leading international monetary expert and former British Treasury official, fears that at some stage the process of strengthening the dollar "will certainly be reversed and then the fall of the dollar could be very dramatic." That, however, could deal a new shock in the monetary system.

## The Perils of Tight Money

Tight monetary policy must be used with great caution.

There is no doubt any longer about the potency of monetary policy in checking inflation. But, in the process of squeezing inflation down over the past few years, tight monetary policy has taken an enormous toll in lost production, jobs, investment and growth.

There is still a school of economic thought, led by Milton Friedman of the University of Chicago, that insists monetary policy should be properly applied by a simple rule: The money should be increased year by year or, if possible, month by month or day by day, at a rate

consistent with the national growth of productivity. Following the rule, says Professor Friedman, will permit inflation-free growth over time, although it will not necessarily rid the economy of cyclical fluctuations in production, income and employment.

Since the fall of 1979, Mr. Volcker has experimented with what he calls "practical monetarism," heading Professor Friedman's call for more attention to gradual growth of the money supply and less to the level of interest rates. But when tight money produced the recessions of 1980 and 1981-82, Mr. Volcker swung to much more rapid rates of monetary expansion than sanctioned by the Fed's "target ranges" and paid more heed to interest rates. Thereby, discretionary monetary policy was used as a powerful tool for getting the economy out of deep slumps. All but the most orthodox monetarists have cheered the move.

As James Tobin of Yale University, a Nobel laureate, who eschews monetarism, put it recently, "Our Federal Reserve finally took mercy on the economy about a year ago and suspended its monetarist targets. Its easing of monetary policy saved the world financial system from dangerous crisis and averted further collapse of economic activity."

## Linking Jobs and Prices

A better way must be found for combining high employment and growth with price stability.

With 8.2 percent of the labor force unemployed, this problem does not loom immediately ahead, but if the recovery continues into the mid-1980s, it will. Mandatory price and wage controls, last used by President Nixon, have proved rigid and inefficient. Resisting overstimulus while controls were in place proved impossible for the Nixon administration. When the controls were finally lifted, inflation accelerated.

But recessions are a costly way of undoing inflation, too. Thus, many economists have been on the prowl for years to devise a new form of voluntary "incomes policy" to hold back price and wage increases with less pain and less market interference. Arthur F. Burns, as chairman of the Federal Reserve, had been urging an incomes policy when President Nixon leapedfrogged past him to mandatory controls. Henry Wallich, a governor of the Federal Reserve Board, who in the past has favored an incomes policy based on tax incentives, offered a new idea in San Francisco. He suggested "taking a leaf from the wisdom of Japan" with a system of two-step wage increases, the second step of which is a bonus. "With a bonus in prospect," said Mr. Wallich, "the first step can be moderate. The second step would reflect price and profit developments in the intervening period." He proposed a dialogue between business and labor, both of which he thought had much to gain from such a plan.

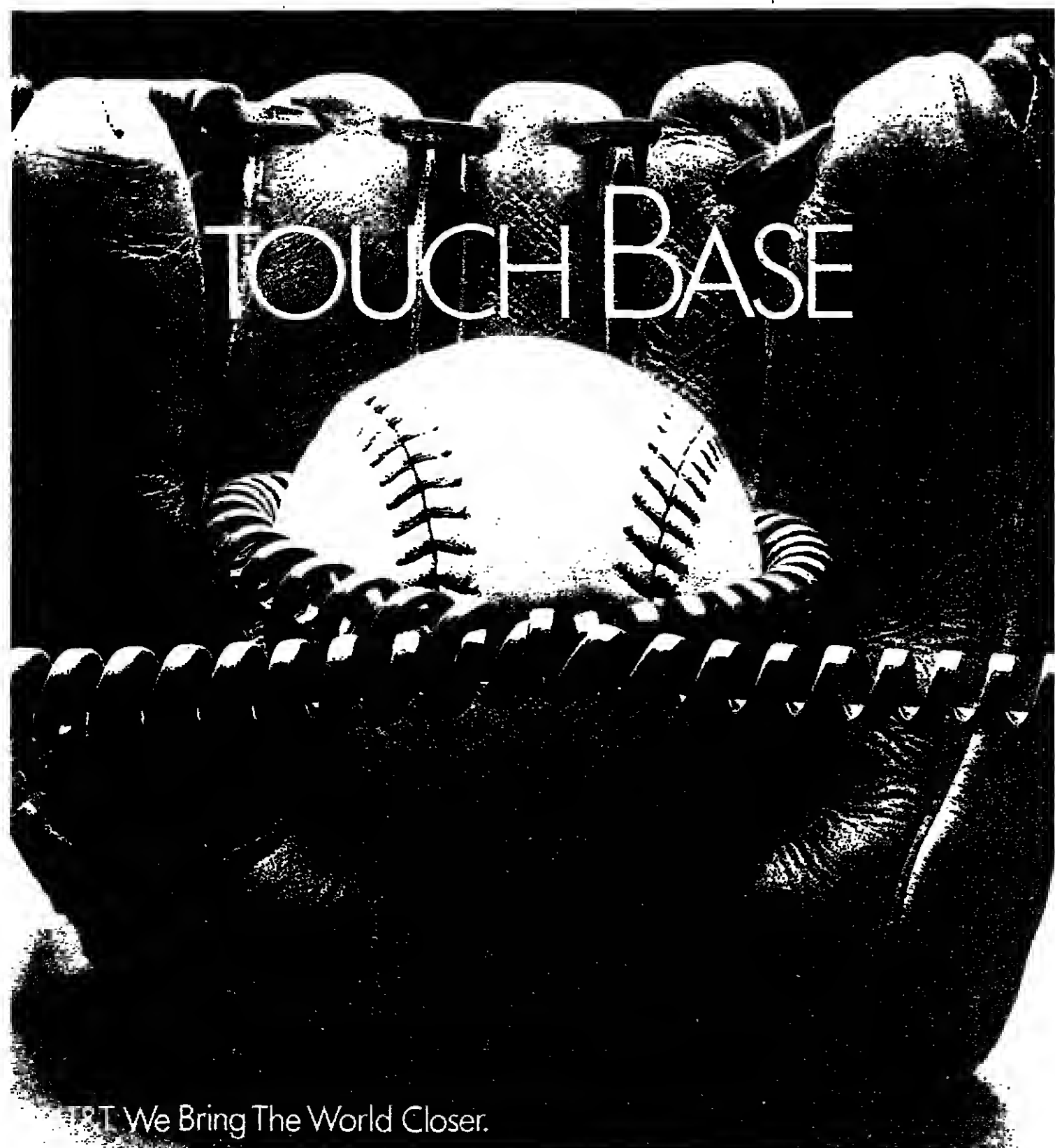
Mr. Volcker also welcomed the new interest among both business and labor in profit-sharing arrangements or other ways of "rewarding workers when things are good, without building an inexorably rising floor on costs."

## Chance for Lasting Growth

This is just the top of the list of lessons to be learned from the past. Economists who share Mr. Volcker's "happy vision" would argue that for the first time in almost two decades the United States and the rest of the world have at least a chance, however small, to profit from the harsh experiences of the late 1960s and 1970s and enter a period of stable and lasting growth. Inflation, for the time being, has been pushed down, unemployment is still relatively high, much industrial capacity is idle, and after a rough run of recessions, American corporations have cut costs and improved profitability. Not since the Kennedy administration in 1961 has there been such a chance for lasting growth.

At the San Francisco meetings, W. Arthur Lewis of Princeton University, the outgoing president of the economists, admonished his colleagues for failing to study history: "If our subject is lowering its sights, this may be because the demise of economic history in economics departments has brought us a generation of economists with no historical background."

Still, there is no simple formula provided by history to prevent the United States from being hit again by another shock or a series of them. Moreover, even if economists fully agreed on the lessons to be gleaned from the troubled past, it does not follow that politicians would join in the agreement or enforce its prescriptions. Inevitably, it is they, not their economic advisers, who will call the shots — or the shocks.



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WEDNESDAY, JANUARY 18, 1984

## BUSINESS PEOPLE

### Prudential Bache 'Playing Catch-Up' By Looking to Industry For New Staff

While other securities houses raid one another's staffs, Prudential Bache Securities is looking to industry for new staff.

Prudential Bache, a unit of Prudential Insurance Co. of America, has appointed D. Leighton Davies, 55, to its international corporate finance team as senior adviser for communications and high technology. Mr. Davies, who will be based in London, took early retirement last year from Ralco Electronics PLC, where he was deputy managing director.

The contacts of Mr. Davies in the electronics industry will help Prudential Bache "create relationships with companies at very senior levels," says William Hulton, head of the firm's international investment banking unit. Mr. Hulton says his new colleague understands the electronics industry and "can talk a language that we miserable investment bankers can't hope to compete with."

Prudential Bache is "playing catch-up" in developing its international investment banking business, Mr. Hulton says, and hiring veteran executives from outside the financial world is one way the firm is trying to distinguish itself.

Last year, Prudential Bache's corporate finance team in New York hired Jack Tyrrell, a former chief financial officer of Hospital Corp. of America.



D. Leighton Davies

### James Capel Expands Its Operations

James Capel & Co., a big London stockbroker that claims it can prosper internationally on its own, is opening offices in Tokyo and New York. The company also has operations in Hong Kong and Singapore.

Kenneth F. Lucas, a partner who formerly was in London, is heading the Tokyo representative office. In addition, Capel plans to open a three-man New York office "sometime this summer," said Peter Thistlethwaite, director responsible for Capel's international side. He said that office will be headed by Charles Smedley, a partner who currently is in charge of Capel's international mining desk in London.

The New York office will not be Capel's first attempt to establish itself in the United States. About 10 years ago Capel sold its associate company in Chicago, following disappointing results. "We decided that it was easier, given the size of our U.S. business, to do business through an agent," Mr. Thistlethwaite said. In trying to gain a new foothold in the United States, Capel will aim to "service U.S. clients on international markets," he said.

In recent months, several London brokers have boosted their capital by minority selling stakes to outsiders. But, says Mr. Thistlethwaite, "we've made a semi-public statement that we plan to remain independent." Some insiders say, however, that Capel might not be averse to a "knock-out bid" from a top-class foreign bank willing to preserve Capel's character.

### Other Appointments

Cedel SA, the Luxembourg-based Eurobond clearing house, has appointed Georges Muller to be its new director of financial control. He previously was the head of foreign-exchange trading and treasury operations at Société Générale in Paris. Industry sources suggest that Mr. Muller may be in line to succeed Joseph Galazka, Cedel's managing director, when he leaves that post June 30.

First Direct, finance director of BASF A.G., the West German chemical group, will retire at the end of June. Responsibility for finance will then be assumed by Rüdiger Schmitz, in addition to his current responsibilities for oil and gas and raw-material purchase.

Lehman Bros. Kuhn Loeb has set up shop in Geneva. The New York-based stockbroker's new office "will initially specialize in international equity sales," said Joe (George) Burgin, who along with Peter Siegrist, will co-manage the office. The men, who have been named vice presidents, joined Lehman Bros. from A.G. Becker-Paribas in Geneva.

Toshiyuki Sakagami, assistant general manager in charge of the securities and Eurobond department at Nippon European Bank SA in Brussels, is returning to Tokyo to take up a new assignment at the Long-Term Credit Bank of Japan Ltd., which owns 50 percent of Nippon European. He will be succeeded by Hidebumi Mori, who previously was Long-Term Credit Bank's representative in Frankfurt.

Frank E. Horack 34, currently executive director-corporate finance, has been promoted to managing director of Chase Manhattan Ltd., the London-based merchant banking arm of the Chase Manhattan Capital Markets Group. Mr. Horack, who takes up his new post Feb. 1, will continue to be responsible for corporate finance.

Leila Neto, deputy general manager of the London branch of Banco Espírito Santo e Comercial de Lisboa, is returning to the bank's international department in Lisbon. He will be succeeded in London by Pedro Simoes de Almeida.

—BRENDA HAGERTY in London  
International Herald Tribune

## Citicorp Says Net Rose 4.1%

Compiled by Our Staff From Dispatches

NEW YORK — Citicorp said Tuesday that fourth-quarter earnings rose 4.1 percent to \$201 million, or \$1.49 a share, from \$193 million, or \$1.49 a share, a year earlier.

The bank-holding company said full-year earnings rose 19 percent to \$860 million, or \$6.48 a share, from \$723 million, or \$5.60 a share, in 1982.

The rises came despite substantial credit write-offs and a higher level of non-accrual loans.

Citicorp said the write-offs, non-accrual and renegotiated commercial loans were offset by strong overall growth, including expanded fee and commission, net interest and foreign exchange trading revenues.

Citicorp said it also benefited from a high cash yield of 11.6 percent on its total portfolio of non-accrual and renegotiated commercial loans. It said this reflected its "conservative policies in placing loans on non-accrual, coupled with an aggressive posture in recognizing write-offs."

Non-accrual loans are those on which reduced or no interest is received. Banks are receiving interest on most renegotiated international loans, with Brazil and Argentina thought to be the largest debtors who are behind in interest payments.

Citicorp earned \$1.7 million in after-tax fees from rescheduling loans in Brazil, Mexico, Chile, Argentina, Ecuador, Peru and Uruguay. But it noted that this figure represented only 0.2 percent of its earnings.

After all known loan losses of \$437 million, Citicorp increased its provision for possible losses by \$83 million to \$766 million at year-end 1983. This represented 0.86 percent of its total loan portfolio of \$88.5 billion, up from 0.79 percent of loans a year ago.

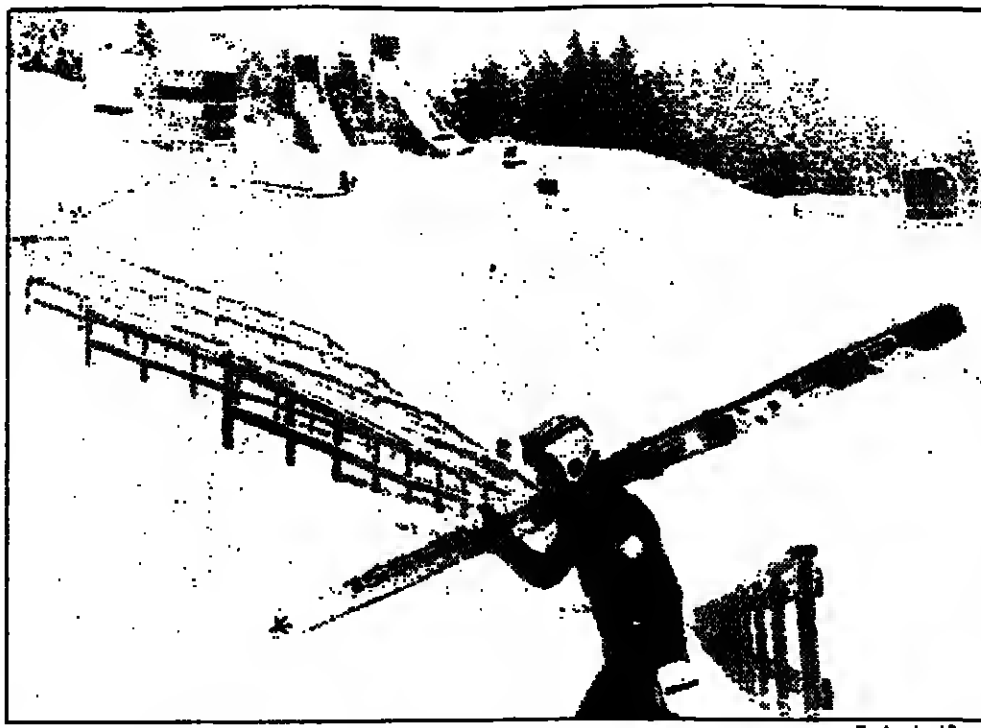
By way of comparison, Morgan Guaranty Trust's reserve is 1.43 percent of its portfolio, Chase Manhattan's 1.01 percent and Manufacturers Hanover's 0.9 percent.

Citicorp's proposed acquisitions of First Federal Savings & Loan in Chicago and Biscayne Federal Savings & Loan in Florida, await approval by regulatory authorities. It has filed suit in Massachusetts to overturn a restrictive reciprocal banking law there and its application to do business in New Mexico will be considered by the legislature.

Separately Tuesday, Security Pacific Corp., Los Angeles, reported a 13 percent rise in 1983 earnings to \$264.3 million, or \$7.23 a share, from \$234.2 million, or \$6.53 a share, the previous year.

Marine Midland Banks Inc., New York, had a 16.2 percent rise in 1983 earnings to \$101.1 million, or \$4.85 a share, from \$86.97 million, or \$4.54 a share, in the previous year.

(UPI, Reuters)



A ski jumper in front of the 70- and 90-meter ski jumps in Sarajevo.

## Sarajevo Prepares for the Olympics Despite Economic Woes, City Is Managing Expense

By Warren Getler

International Herald Tribune

SARAJEVO, Yugoslavia — Yucko, the timber wolf, will be the mascot of the 1984 Winter Olympics that are to begin here in less than a month. But the wily way in which the Yugoslavs have handled the financial end of the event suggest that a fox might be a more appropriate symbol.

Operating within an increasingly sluggish national economy and lacking the established infrastructure for tourism enjoyed by such previous sites as Innsbruck, Austria, and Lake Placid, New York, the local Olympic Committee has cut its estimated cost for the games to \$135 million from an initial \$160 million.

Meanwhile, the national government in Belgrade is keeping a close watch on the games, hoping that they will boost its economic policy by attracting investment and promoting trade and tourism. "Because the country is desperately seeking to expand its reserves of foreign exchange, it must promote an image of itself as a country where things work. How Yugoslavia pulls

off the Olympics will be a big part of that," said a Western diplomatic source in Belgrade who asked not to be identified.

In these broader economic terms, the success of the games is far from assured. It remains to be seen how the Yugoslavs handle the enormous influx of demanding tourists. And there are signs that the preparation for the games has strained Yugoslavia's struggling economy.

The list of economic liabilities includes a 50-percent inflation rate, 12-percent unemployment and a drought-induced energy shortage, according to Yugoslav officials in Belgrade. The government's economic policy statement for 1984 predicts industrial growth of 3 percent led by a projected 20-percent increase in exports to hard-currency nations.

The government, under the current leadership of Milka Planinc, has taken tough and seemingly effective steps toward bringing Yugoslavia's run-away trade deficits under control as well as meeting the

(Continued on Page 9, Col.1)

## Stock Prices in New York Increase Modestly

United Press International

NEW YORK — Prices on the New York Stock Exchange rose modestly on Tuesday, with a late surge of buying that indicated Wall Street might be ready to renew its attack on record heights.

High-technology issues, paced by Digital Equipment and IBM, were leaders in the furious last-hour rally. Occidental Petroleum and some other issues scored on takeover speculation.

The Dow Jones industrial average, which meandered after losing 2.51 Monday, gained 3.87 to 1,271.46. The Dow has been drifting since it shot up 28 points, to 1,286, in the first week of the new year.

Advances topped declines 869-745 among the 2,055 issues traded. Volume totaled 92.8 million shares compared with 93.8 million traded Monday.

"The market has been in a waiting game for the past several months looking for direction," said

Harry Vilec of Sutro & Co., of Palo Alto, California. "And I'm confident the next move is going to be up and in the near future."

"The two-year marriage between bonds and stock prices appears to have ended in divorce," said Brian Abdon of Paine Webber, who noted bonds have marched steadily upward while stocks have languished.

"The stock market looks like it is consolidating its recent gains in preparation for another move up," Mr. Abdon said, "especially since the interest-rate picture has improved."

Alan Greenspan, an unofficial presidential adviser, and Allen Sinai, chief economist at Lehman Brothers, Kuhn, Loeb, both predicted interest rates would show little change during the year.

A Fed governor, Henry Wallich, said record federal budgets would lead to problems in the near future even though the economy should continue to expand.

Treasury Secretary Donald Regan said Monday that rates "should trend lower this year and in the years ahead."

Commonwealth Edison, which plunged 3 1/2 Monday, was the most active NYSE-listed issue, up 1 1/2 to 23 1/2. Some analysts think investors overreacted to news the Nuclear Regulatory Commission denied CBE a license to operate its \$3.35 billion Byron nuclear plant.

American Telephone & Telegraph when issued stock was the second most active issue, off 1/4 to 18 1/2. AT&T "old" stock was fourth, off 1/4 to 66 1/2.

Chrysler was the third most active issue, up 1/4 to 31 1/2. Digital Equipment, a 10% winner the previous two sessions, surged 5 to 90 1/2. DEC says its second-quarter earnings are going to be better than expected.

IBM, which is slated to report its fourth-quarter net Wednesday, gained 1/2 to 120 1/2 in heavy trading. Estimates range from \$2.50 to \$3 a share, compared with \$2.50 a year earlier. Texas Instruments rose 1/4 to 14 1/2, NCR 2/8 to 12 1/2 and Motorola 1/4 to 13 1/2.

## 2 Leave WestLB In Shakeup Over High Loan Risks

By Bob Hagerty

International Herald Tribune

LONDON — Two management board members of Westdeutsche Landesbank have stepped down, apparently to take the blame for heavy loan-risk provisions.

The Düsseldorf-based bank, West Germany's third largest, refused to disclose the reasons for the departures, which were announced late Monday night after a meeting of WestLB's advisory board. But West German banking sources indicated that the executives were forced to resign.

The two departing managers are Vinzenz Grothgar, a 49-year-old vice chairman, and Heinrich Viefers, 56, a board member. Mr. Grothgar headed the bank's foreign business, and Mr. Viefers was in charge of domestic corporate business. Both men had served on the management board since 1976.

WestLB has not named the successors for the two men. Late last month, WestLB said that it expected to report that its 1983 operating earnings totaled a record 1.1 billion Deutsche marks (\$393 million). But it added that aside from a small contribution to reserves, all earnings would be needed for risk provisions.

Thus, the bank said, it would forego a dividend for the third year in a row.

A large part of WestLB's provisions relate to Deutsche Anlagengeldmarkt GmbH, West Germany's second largest leasing concern, in which the bank owns a 30-percent stake.

In its 1982 accounts, DAL made provisions of 224 million DM to cover potential losses. WestLB said

that it had to cover 40 percent of those provisions.

For 1983, DAL's provisions will total a maximum of 600 million DM, a WestLB spokesman said in disputing West German press reports that potential losses would be far higher.

The operating profit of 1.1 billion DM that WestLB expects to report for 1983 includes the results from trading operations. It compares with just under 1 billion DM in 1982, when WestLB put aside 800 million DM of risk provisions, twice the year-earlier amount.

The top-level shakeup was the second at WestLB in a year. In early 1983, at least half a dozen officials left the bank in a reorganization prepared by U.S. management consultants McKinsey & Co. The reorganization was aimed at streamlining the bank, which acts as a central bank for the state of North Rhine-Westphalia and a clearing bank for the region's approximately 250 savings associations.

The reorganization was also part of a rethinking of strategy whereby the bank would concentrate on mortgage financing and wholesale banking for clients in its region.

Lloyds Action Is Studied  
The West German Banking Association will comment Wednesday on Lloyds Bank PLC's proposed takeover of Schröder, Münchmeyer, Hengst & Co., an association spokesman told Reuters on Tuesday in Cologne.

He would neither confirm nor deny a report in Börsen-Zeitung, a West German financial daily, that the formal contract was to be signed Tuesday, giving Lloyds control of the commercial banking business and securities operations of Schröder, Münchmeyer, Hengst & Co. Spokesmen for Lloyds would not comment.

Schröder, Münchmeyer, Hengst was bailed out by a consortium of West German banks in November after it had heavily overextended its construction equipment group.

Lloyds said in December it will not be acquiring loans and liabilities associated with IBH companies or the business where Schröder, Münchmeyer, Hengst also encountered difficulties.

Lloyds has said it will be taking over Schröder, Münchmeyer, Hengst's offices in Hamburg, Frankfurt and Offenbach, but not its Luxembourg subsidiary through which many of the loans to IBH were channeled.

Occidental Petroleum climbed 2 1/4 to 27 1/2 in heavy trading amid takeover rumors. Speculation centered on David Murdoch of Pacific Holding, who has bought a chunk of Occidental stock.

McDonald Douglas gained 1 1/2 to 60 1/2 and Boeing 2 1/2 to 48 1/2. The companies should benefit from a boom in orders for small jets, analysts said.

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McDonald Douglas gained 1 1/2 to 60 1/2 and Boeing 2 1/2 to 48 1/2. The companies should benefit from a boom in orders for small jets, analysts said.

## CURRENCY RATES

Rate interbank rates on Jan. 17, excluding Swiss.  
Official fixings for Amsterdam, Brussels, Milan, Paris. New York rates at 4:00 pm EST.

	Amsterdam	Brussels	Milan	Paris	New York
1/18	1.360	1.360	1.360	1.360	1.360
1/19	1.360	1.360	1.360	1.360	1.360
1/20	1.360	1.360	1.360	1.360	1.360
1/21	1.360	1.360	1.360	1.360	1.360
1/22	1.360	1.360	1.360	1.360	1.360
1/23	1.360	1.360	1.360	1.360	1.360
1/24	1.360	1.360	1.360	1.360	1.360
1/25	1.360	1.360	1.360	1.360	1.360
1/26	1.360	1.360	1.360	1.360	1.360
1/27	1.360	1.360	1.360	1.360	1.360
1/28	1.360	1.360	1.360	1.360	1.360
1/29	1.360	1.360	1.360	1.360	1.360
1/30	1.360	1.360	1.360	1.360	1.360
1/31	1.360	1.360	1.360	1.360	1.360

	1/18	1/19	1/20	1/21	1/22	1/23	1/24	1/25	1/26	1/27	1/28	1/29	1/30	1/31
1/18	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/19	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/20	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/21	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/22	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/23	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/24	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/25	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/26	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/27	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/28	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/29	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/30	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360
1/31	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360	1.360

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1/27: 1/27, 1/28, 1/29, 1/30



**NYSE Most Actives**

Symbol	Vol	High	Low	Close	Chg
IBM	1,000,000	125.00	124.00	124.00	+1.00
AT&T	800,000	45.00	44.00	44.00	+1.00
GE	600,000	35.00	34.00	34.00	+1.00
AMC	500,000	15.00	14.00	14.00	+1.00
...	...	...	...	...	...

**Dow Jones Averages**

Index	High	Low	Close	Chg
Indus	1,200.00	1,190.00	1,190.00	+10.00
Transp	1,100.00	1,090.00	1,090.00	+10.00
...	...	...	...	...

**NYSE Index**

Index	High	Low	Close	Chg
NYSE	2,500.00	2,480.00	2,480.00	+20.00
...	...	...	...	...

**Tuesday's NYSE Closing**

Vol. of 4 p.m. 92,750,000  
Prev. 4 p.m. Vol. 92,750,000  
Prev. Consolidated Close 116,675,000

Tables include the nationwide prices  
Up to the closing on Wall Street

**AMEX Diaries**

Symbol	High	Low	Close	Chg
AMEX	100.00	98.00	98.00	+2.00
...	...	...	...	...

**NASDAQ Index**

Index	High	Low	Close	Chg
NASDAQ	1,500.00	1,480.00	1,480.00	+20.00
...	...	...	...	...

**AMEX Most Actives**

Symbol	Vol	High	Low	Close	Chg
AMEX	1,000,000	100.00	98.00	98.00	+2.00
...	...	...	...	...	...

**AMEX Stock Index**

Index	High	Low	Close	Chg
AMEX	1,000.00	980.00	980.00	+20.00
...	...	...	...	...

12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. PE 52-Week High Low	12 Month High Low Stock Div. Yld. 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## BUSINESS BRIEFS

## France Cut Trade Gap in Half in '83, As the Strong Dollar Lifted Exports

PARIS (Combined Presses) — France cut its trade deficit more than 50 percent in 1983, the Ministry of Foreign Trade reported Tuesday. It said that the 1982 trade deficit of 92.70 billion francs (\$10.82 billion at current exchange rates) was sliced to 42.25 billion francs in 1983. The trade figures for December showed a 2-million-franc surplus after a year of monthly trade deficits.

In the fourth quarter, the country's balance of payments — which measures trade in merchandise and such nonmerchandise items as services — showed a provisional unadjusted surplus of 1.7 billion francs, compared with a 16.2-billion deficit in the 1982 period. For all 1983, the current account deficit shrank to 32.7 billion francs from 79.3 billion in 1982.

The government was able to halve the deficit five months before the revised target date of April 1984 because French exports gained a competitive edge as the value of the dollar rose 22.3 percent against the franc over the year, the ministry said. The rising dollar, as well as dwindling markets at home, boosted French exports by 22 percent last year. Imports rose only 9.7 percent. (UPI, AP, Reuters)

## U.K. Industrial Output Rises 0.4%

LONDON (Reuters) — British industrial production rose a provisionally seasonally adjusted 0.4 percent in November after a 0.5-percent decline in October, the Central Statistical Office said Tuesday. The November index was 4.4 percent higher than a year earlier.

The index of manufacturing output rose 0.5 percent in November to move 3.1 percent ahead of its year-earlier level. The output had fallen 0.3 percent in October.

## Nigeria Said to Seek New OPEC Quota

LONDON (AP) — Nigeria is appealing to the Organization of Petroleum Exporting Countries for permission to raise its oil production quota and rescue its debt-ridden economy, the Financial Times reported Tuesday.

The London economic daily reported from Lagos that Festus Mbarinso, the newly appointed managing director of the state-owned Nigerian National Petroleum Corp., had begun a tour of OPEC member states during which he was expected to press Nigeria's case for higher quotas. The report followed an interview published Saturday by the Financial Times with Major General Mohammed Buhari, chief of the new military regime in Lagos, in which he appeared to warn that Nigeria might leave OPEC if its demands to increase its production quota beyond the present 1.3 million barrels a day were rejected.

## West German Profits Seen Up 15%

FRANKFURT (Reuters) — West German corporate profits can be expected to rise an average 15 percent this year, continuing the recovery begun in 1983, analysts at a slightly slower pace, Berliner Handels-und-Kommission Bank said Tuesday.

In its quarterly survey of companies, the bank said West German industry pulled out of recession last year and saw earnings rise an average 20 percent.

Growth in 1983 was led by consumer spending and the motor industry, electrical and chemical sectors benefited the most.

## Warner Amex Seeks More Cutbacks

NEW YORK (LAT) — Warner Amex Cable Communications Inc., the aggressive winner of more big-city cable-TV franchises than any other cable company, is continuing a campaign to reduce its losses and legal obligations, asking Dallas officials for concessions similar to those sought last week in Milwaukee.

In addition to rate increases, the company said that it wants to consolidate the number of channels dedicated to local "access" programming and shift associated costs to the city.

Warner Amex said that it wants apartment-complex owners in Dallas to pay for installations or handle billing, because of high customer turnover, theft of service and other problems.

## Copenhagen To Offer Debt

LONDON — Denmark is expected to offer a floating-rate Eurobond of at least \$500 million soon, as well as a bond in the British market for £75 million to £100 million (\$105 million to \$140 million), bond market sources said Tuesday.

Bond managers expect a 20-year maturity on the Eurobond, with an investor put option after 10 years. The total annual cost, combining interest rate spreads and front-end fees, would likely be 22 to 25 basis points over Eurodollar deposit rates.

The pound-denominated bond is expected to have a maturity of as long as 30 years, yielding about 12 1/2 percent, or 1 1/2 percentage point above the comparable British government bond.

## Curbs on World Bank May Harm U.S. Firms

Much of Contributions Flows Back in Contracts to American Businesses

By Stuart Auerbach

WASHINGTON Post Service — U.S. companies have received 82 cents in contracts for every dollar the United States has given to the World Bank and its soft-loan affiliate, the International Development Association, World Bank figures show.

The figures were developed by the World Bank to try to counteract attempts by the Reagan administration to cut back U.S. participation in the multilateral lending agency, especially in the development contributions from industrialized nations for low-interest loans to poor countries.

The World Bank was forced to curtail the subsidized aid program for the poorest nations over the next three years after the United States refused to provide more than \$750 million a year to the IDA. The

bank said it needed \$1 billion annually. Other developed nations declined to increase their contributions to pick up the slack, so that the total amount of loans available for poor countries was limited to \$3 billion a year.

Losses to U.S. businesses from the Reagan administration cutback will amount to \$140 million a year, according to World Bank figures. They show that slightly more than 14 percent of all IDA funds flow to U.S. companies in the form of contracts.

During the last 39 years, U.S. companies have gained \$7.446 billion in World Bank contracts, on an investment of \$1.248 billion in the organization. The bank was founded to raise the living standard of the world's underdeveloped nations.

The contracts financed with IDA

loans did not provide as high a return, however. U.S. companies have received \$1.5 million from IDA contracts, or 16 percent of the United States' \$9.643 billion in contributions. The development agency was set up in 1960 to help the poorest of the poor nations.

While the development association is funded by contributions, the World Bank gets funds from its member nations, which buy shares in the organization. The interest that the bank charges borrowers then helps fund more loans.

Bank officials believe that they have forged a U.S. constituency among businesses, but now are trying to develop more awareness of the bank's value among the general public.

Steve Newhouse, an official of Caterpillar Tractor Co., whose heavy-duty construction equipment is bought with World Bank

and IDA funds for major projects such as dams and highway construction, said Monday: "We're supporters of the World Bank."

"The World Bank is important for Caterpillar. The results of its services in helping the less developed world gain economically mean sales for Caterpillar and jobs for American workers."

The amount of money that comes back to the United States and other industrialized nations from World Bank loans is a matter of controversy in the Third World, where newly industrialized nations are fighting for a larger share of the contracts.

The share of World Bank contracts for all Third World nations rose to 16.6 percent last year, but 20.5 percent went to the United States alone. Third World nations' share of IDA contracts also was small, about the same as the United States'.

## GE Says Rise In Net Aided By Recovery

The Associated Press

FAIRFIELD, Connecticut — General Electric Co. said its profit rose 10 percent in the fourth quarter from a year earlier, spurred by a broadening U.S. economic recovery. Earnings for all 1983 rose 11 percent.

GE said Monday that industrial orders in the fourth quarter showed "considerable strength." It said 1983 results were "exceptionally strong" from such consumer-related businesses as major appliances, which more than doubled.

Profit in the fourth quarter climbed to \$579 million, or \$1.27 a share, from \$524 million, or \$1.15 a share, a year earlier. The gain came despite a slight decline in revenue, to \$7.43 billion from \$7.46 billion.

For all 1983, profit rose to \$2.02 billion, or \$4.45 a share, from \$1.82 billion, or \$4 a share, in 1982. Sales edged up to \$26.80 billion from \$26.50 billion.

"The principal disappointment of 1983 was the distressed condition of the Brazilian, Mexican and Venezuelan economies," John F. Welch Jr., the chairman of GE, said.

GE's affiliates had operating losses in those countries, and Latin American earnings fell \$90 million from 1982.

"While it appears the worst is over, there are no immediate prospects for a significant upturn in GE's Latin American operations," the company said.

But Mr. Welch said the short-term outlook is brighter in the United States.

"In 1984, we expect the U.S. economy to be quite strong, with capital spending adding to 1983's growth," he said. "Longer term, the impact of continuing federal deficits, high U.S. interest rates and a strong U.S. dollar remain troublesome."



T. Boone Pickens Jr.

Mobil estimated that the property would produce 12.9 million barrels of crude oil, 121.8 billion cubic feet (36.54 billion cubic meters) of natural gas and 3.3 million barrels of gas liquids, with 75 percent of the net profit going to the holders.

## Mobil Asks for Tax Ruling on Royalty Trust Plan

By Robert J. Cole

New York Times Service

NEW YORK — Mobil Corp. has asked the Internal Revenue Service to rule on whether Mobil can set up a special company, or royalty trust, and give shares in the trust to stockholders, according to oil industry sources.

The plan is designed to save Mobil millions of dollars in taxes, and is expected to generate widespread congressional concern.

If approved, oil industry sources said Monday, other major oil companies are expected to seek approval for similar plans, possibly depriving the government of billions of dollars in revenues.

The plan calls for Mobil, the second-largest U.S. oil company, to give stockholders \$1.5 billion in royalties over a period of years from a producing property in southern Texas.

This would shift the burden of taxes on this income from Mobil to its stockholders, most of whom would either not have to pay taxes or would pay them at fairly low rates.

Under current tax laws, the distribution of royalty units to corporations and individuals would be treated as dividends, subject to tax as ordinary income. Corporations would pay 15 percent tax, while individuals would pay a maximum of 50 percent, depending on their tax bracket.

Mobil, however, would avoid the

tax. Its federal tax bill last year was \$113 million. It did not estimate the tax impact from the trust, but even a 10 percent saving would amount to more than \$100 million over 10 years.

A leading oil executive familiar with royalty trusts said the plan sounded to him as if Mobil were "trying to test the IRS with a small piece" of the company.

A spokesman for the revenue service, who asked not to be identified, said he was prohibited by law from discussing or disclosing information from private letters.

Herbert Schmetz, a spokesman for Mobil, acknowledged the request before the revenue service, and said, "We hope we'll get a favorable ruling."

Asked whether he thought Congress would allow such a move, he said, "We think it's prudent for us to find out exactly what the IRS ground rules on royalty trusts will be in the future."

Although several relatively small oil companies have introduced such trusts, the idea has been brought to prominence in the past few months by T. Boone Pickens Jr., chairman of Mesa Petroleum Co. of Amarillo, Texas.

Mr. Pickens is head of a small group of wealthy Texans and other investors who have set aside \$1.1 billion to buy stock in Gulf Oil Corp. with the sole aim of convincing Gulf to create a royalty trust. Although Mr. Pickens maintains

that such a trust would enhance the value of Gulf's stock, Gulf has opposed the idea as depriving the company of funds to expand.

So far, Gulf has kept Mr. Pickens at bay. On Monday, a federal judge in Pittsburgh denied a request by Mr. Pickens's group to block Gulf's plans to move its incorporation from Pennsylvania to Delaware, a move designed primarily to make it more difficult for Mr. Pickens to gain a seat on the Gulf board.

Gulf has also maintained that the tax advantage to stockholders would not be favorable, but Mr. Pickens does not agree.

Thus, if the IRS permits Mobil to set up a trust, it could touch off a number of similar steps by the oil majors, including Gulf. A ruling against Mobil would seem to strengthen Gulf's arguments and thus further protect it from attack on this front.

Some oil executives said private-

ly, however, that even if Mobil got a favorable ruling, it might be the only major oil company to do so. These officials argued that because of the serious potential loss of tax revenue, Congress might be asked to change tax laws to close what some tax experts say is a major loophole.

Mr. Pickens, who objects to the word loophole, said Monday: "Royalty trusts don't deprive the government of tax revenue. In fact, tax revenues will be enhanced. The spinoff, combined with the company's stock, will greatly increase the value of the stockholder's investment."

Therefore, the stockholder will be required to pay taxes on this increase and consequently tax revenues will be favorably affected. In short, both the government and the stockholders are winners."

In a long request, prepared for Mobil by the New York law firm of Dewey, Ballantine, Bushby, Palmer & Wood, the company asked for an advance ruling on the federal income tax consequences if it set up a trust.

The request, one of thousands made by corporations every year for projects they have in mind, said Mobil wanted to set up a trust with 11,582 acres (about 4,600 hectares) of oil and gas lands known as the West Ranch, near Edna, Texas, and to give stockholders one unit, or share, in the trust for each 25 shares of Mobil they own.

## Sarajevo Manages to Deal With Olympics' Cost

(Continued from page 7) Sarajevo. They asked: "Why should we embark on such an expensive exploit when we have so many other things to try to do?" he said.

"But then slowly, as new hotels and ski lifts started springing up in Sarajevo, people began to realize the games will be a good investment in concrete terms, both short and long-run. In the short term, they will generate needed foreign currency, and in the long term they will leave behind the infrastructure for a first-class ski and tourist resort," he said.

Moving on to the fast-track of winter tourism promised to be no small task for this city of 450,000, which, to the Western eye, appears a puzzling mixture of an industrial center and a sleepy Islamic community dating back to the 15th century.

The committee's successful financing of its \$110-million share of the total cost of the games hinged on an effective marketing blitz abroad and cost-cutting measures at home. The rest is being financed by national and regional government funds, including several million dollars of revenue from the residents of Sarajevo, who consented in a referendum to a payroll tax designed to support the games.

In the view of Anto Susic, the president of the local Olympic committee's executive council, the committee would be operating at a deficit and the construction of facilities far from complete had the committee not embarked on an extensive overseas promotion campaign to enlist corporate sponsors for the event.

After taking a whirlwind round-the-world tour to talk up Sarajevo, paid for by Pan Am, the Yugoslav airline JAT, and Coca-Cola, the committee was able to generate more than \$20 million in corporate sponsorships through competitive bidding. Contracts were signed with Coke for some \$3 million, along with contracts for Kodak, Pan Am, Mitsubishi and others.

Mr. Susic acknowledged that, although these funds boosted the committee's reserves of hard currency, the games might have been a financial disaster had not the U.S. television network ABC stepped in with a \$91.5-million bid for the licensing rights to broadcast the games in the United States. Two-thirds of that sum and other network licensing fees will go to the Sarajevo committee, and the rest to the International Olympic Committee.

"We gained a significant advantage by accumulating lots of hard currency financing at an early stage," Mr. Susic said. "We received some \$115 million in hard currency, of which only \$20 million had to be spent outside the country to import such equipment as IBM computers. Thus we generated more than \$90 million in hard currency for the economy."

When asked about the prospects of new long-term contracts for joint ventures here between Yugoslav and Western companies, Mr. Susic said several negotiations are under way but declined to give details. He emphasized, however, that such spin-offs from the games are being avidly sought by local businessmen.

Having large sums of hard currency on hand played well into the organizing committee's strategy of contracting with about 70 Yugoslav construction companies at fixed rates in Yugoslavia's currency, the dinar, which is not convertible.

The strategy, which involved prepayment of construction charges, not only effectively neutralized the impact of fast-rising inflation on construction costs over the past three years. It also, because of the sharp depreciation and devaluation of the dinar against the dollar, assured that the construction costs of the games would be covered and that some \$10 million in loans from local banks would be paid off by next month, Mr. Susic said.

In another major endeavor involving a "capitalist" twist, Zoi Tours persuaded local banks to provide some \$6 million in low-interest loans to local hotel owners and home owners seeking to expand or renovate facilities to be rented out during the Olympics. Zoi's manager, Nedo Mahic, said.

The long-term goal is to bring the tourists, some 30,000 of whom are expected to attend the games each day, back to town after the Olympics. Tourism has become an increasingly important element in Yugoslavia's balance of payments, with tourist receipts climbing to more than \$1 billion a year in 1983, up 30 percent from a year earlier.

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## COMPANY EARNINGS

Revenue and profits, in millions, are in local currencies unless otherwise indicated

Britain				United States			
Company	1982	1983	1984	Company	1982	1983	1984
Arthur Guinness	1,350	1,350	1,350	IBM	1,350	1,350	1,350
Fr. Maryland Bank	1,350	1,350	1,350	AT&T	1,350	1,350	1,350
Rowan Cos.	1,350	1,350	1,350	General Electric	1,350	1,350	1,350
Honeywell	1,350	1,350	1,350	IBM	1,350	1,350	1,350
Security Pacific	1,350	1,350	1,350	AT&T	1,350	1,350	1,350
S. Carolina Nat'l	1,350	1,350	1,350	General Electric	1,350	1,350	1,350
Texas Comm. Bch.	1,350	1,350	1,350	IBM	1,350	1,350	1,350
Wang Lab.	1,350	1,350	1,350	AT&T	1,350	1,350	1,350
First American	1,350	1,350	1,350	General Electric	1,350	1,350	1,350
First Empire State	1,350	1,350	1,350	IBM	1,350	1,350	1,350
Republic Steel	1,350	1,350	1,350	AT&T	1,350	1,350	1,350

**WORLDINVEST INCOME FUND**

**DIVIDEND ANNOUNCEMENT**

**DECLARATION OF DIVIDEND No. 14**

The Trustees of the Worldinvest Income Fund are pleased to announce a U.S. \$6.00 per share distribution to Shareholders in respect of the half-year period from July 1st, 1983 to December 31st, 1983.

Coupon No. 14 and also any previously unclaimed coupons may be presented for payment on or after February 1st, 1984 to any of the following Paying Agents:

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